

COMMITTEE OF  
PUBLIC ACCOUNTS

Third Report

DEPARTMENT OF SOCIAL SECURITY:  
HOUSING BENEFITS

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The Committee of Public Accounts is appointed under Standing Order No 122, viz:

*Committee of Public Accounts*

122.—(1) There shall be a select committee to be called the Committee of Public Accounts for the examination of the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit, to consist of not more than fifteen members, of whom four shall be a quorum. The committee shall have power to send for persons, papers and records, to report from time to time, and to adjourn from place to place.

(2) Unless the House otherwise orders, each member nominated to the committee shall continue to be a member of it for the remainder of the Parliament.

The following is a list of Members of the Committee since its nomination on 9 July 1987. The present Members are those marked with asterisks.

- \*Mr Robert Sheldon (elected Chairman, 15 July 1987)
- \*Mr Graham Allen (added 27 January 1988)
- \*Mr D N Campbell-Savours
- \*Mr Terry Davis (added 27 November 1987)
- Mr John Garrett (discharged 27 November 1987)
- \*Mr Ian Gow
- Sir Peter Hordern (discharged 19 November 1987)
- Mr Norman Lamont (discharged 27 July 1989)
- \*Mr Michael Latham
- \*Mr Peter Lilley (added 27 July 1989)
- Mr Henry McLeish (added 25 March 1988) (discharged 13 January 1989)
- \*Mr Robert MacLennan
- \*Mr Michael Morris
- Marjorie Mowlam (added 27 November 1987) (discharged 13 January 1989)
- Mr William O'Brien (discharged 27 January 1988)
- \*Mr Richard Page
- Dr John Reid (added 13 January 1989) (discharged 15 December 1989)
- Mr Allan Rogers (discharged 25 March 1988)
- \*Mr Jeff Rooker (added 13 January 1989)
- \*Sir Michael Shaw
- \*Mr Michael Shersby
- \*Mr Tim Smith (added 19 November 1987)
- \*Mr Alan Williams (added 15 December 1989)

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# THIRD REPORT

The Committee of Public Accounts has agreed to the following Report:

## DEPARTMENT OF SOCIAL SECURITY: HOUSING BENEFITS

### INTRODUCTION AND SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

1. The Social Security and Housing Benefits Act 1982 provided for a Scheme to help people with limited resources meet their housing costs. In 1988-89 around one in four households in Britain were receiving benefits totalling about £5.2 billion. Administration costs were expected to amount to £227 million. Local and other authorities (the Authorities) administer the Scheme in their areas, but their expenditure is supported by central government through subsidies and the Rate Support Grant. Each Authority is accountable to its electorate for day-to-day administration of the Scheme, but the Department of Social Security (prior to July 1988 the Department of Health and Social Security) are responsible for establishing appropriate administrative arrangements and for establishing whether overall the Scheme is run efficiently and effectively.

2. Our predecessors examined the operation of the Scheme in their Sixth Report of Session 1984-85 and in their 27th Report of Session 1985-86 and took evidence from the Department on the basis of the Treasury Minute of July 1986 on the latter Report. They found that the Department had not managed the introduction of the Scheme satisfactorily and made recommendations regarding the implementation of any further changes to the Scheme and its future operation.

3. We examined the Department on arrangements introduced for monitoring the operation of the Scheme and for controlling fraud and abuse and administrative expenditure. We also examined the development and implementation of major changes made to the Scheme from 1988. Our examination was based on a Report by the Comptroller and Auditor General (C&AG) and evidence received from the Association of District Councils and the National Association of Citizens Advice Bureaux.

4. We have considered the evidence given and our main conclusions and recommendations are as follows:

#### *Monitoring the operation of the Scheme*

- (a) We recognise the progress made by the Department in developing monitoring arrangements for the Scheme. But we are disappointed that the recent developments in the Department's standard-setting and monitoring arrangements do not cover key aspects of service delivery to claimants. We reiterate the views of our predecessors that the Department's standard-setting and monitoring arrangements should be extended into these areas (paragraphs 8-9).

#### *Control of fraud and abuse*

- (b) We note the action taken by the Department to encourage Authorities to control fraud and abuse. We expect the Department to review promptly evidence of the impact of that action so that any further action that may be necessary can be taken without delay (paragraph 16).

C&AG's Report  
(HC 415 of  
Session  
1988-89) paras  
1, 1.1-1.2 and  
1.6

6th Report of  
Committee of  
Public  
Accounts,  
Session  
1984-85 (HC  
78); 27th  
Report of  
Committee of  
Public  
Accounts,  
Session  
1985-86 (HC  
254); and  
Minutes of  
Evidence  
published with  
4th Report of  
Committee of  
Public  
Accounts,  
Session  
1987-88 (HC  
120)

Appendix 1,  
Appendix 2 and  
Appendix 3

- (c) We find it unfortunate that an important measure which had the effect of controlling Housing Benefit expenditure—the power to ask the Rent Officer to determine a fair rent for tenancies entered into before April 1989—was withdrawn. We recognise, however, that policy in this area is mainly the responsibility of the Department of the Environment; and we trust that they were aware of the considerations which were of importance to the Department of Social Security (paragraph 17).

*Control of administrative expenditure*

- (d) We note the Department's revised arrangements for fixing in advance the level of total grant for the Authorities' administrative costs and then for allocating it to individual Authorities. We also note, with satisfaction, that the Department expect that their new monitoring procedures will enable the grants to be fixed in future at levels which reflect the caseload more accurately than in 1988–89 and 1989–90 (paragraph 23).
- (e) We are concerned that the Department have failed to fulfil satisfactorily their undertaking to our predecessors to investigate the reasons for cost variations between Authorities and the extent to which they are justified. We reiterate the recommendation of our predecessors that such an investigation should be initiated by the Department (paragraph 24).

*Development and implementation of Scheme changes*

- (f) We recognise that in developing and implementing Scheme changes in 1988–89 the Department largely avoided a repetition of the very serious problems experienced in 1982–83 (paragraph 40).
- (g) We note that the draft regulations and guidance about the 1988 changes to the Scheme were not issued on time and that this contributed to the problems experienced by Authorities. We also note that the Department continued to have difficulties in issuing relevant information in sufficient time for the changes made in 1989. We recommend that, when future changes to the Scheme are proposed, adequate time is allowed for consultation with the Authorities and for preparation of the necessary regulations and guidance (paragraph 41).
- (h) We believe that Ministers would have been assisted if the Department had presented them with explicit calculations of losses to claimants likely to arise from the April 1988 Scheme changes as a proportion of total income. Such losses are an important financial aspect of the changes which should have been drawn to Ministers' attention. We are not entirely reassured by the Department's statement that they are confident that what has happened will be taken note of; and we would welcome a more explicit undertaking that in future they will produce and provide Ministers with all the information needed for important policy decisions of this sort (paragraph 42).
- (i) We note that the Department are studying the administrative arrangements for the Transitional Protection Unit established to implement the changes to the Scheme announced on 27 April 1988 to see what lessons can be learned (paragraph 43).
- (j) We are concerned that the Department have not established why the take-up of transitional payments has been lower than expected. We recommend the Department to undertake the necessary research to see whether more needs to be done to promote the take-up of these payments (paragraph 44).

## DEPARTMENTAL MONITORING OF THE SCHEME

5. The Department have responded to the recommendation of our predecessors that the formal arrangements for the monitoring of the operation of the Scheme should be introduced. There were delays in the implementation of those arrangements, but these will now ensure that the Department have much more information about the operation of the Scheme than they have had in the past.

6. However, although our predecessors recommended that the Department should introduce monitoring arrangements covering the quality of service provided to claimants, the new arrangements do not provide for the monitoring of important aspects of service delivery. Also, the Department have not defined what they consider to be acceptable standards of performance by the Authorities, although the need to do so had been identified by a Department of Social Security review in June 1985. The National Association of Citizens Advice Bureaux informed us that in their view it was of utmost importance that there should be monitoring of quality of service against defined standards, because the problems in obtaining satisfactory service from the Authorities administering Housing Benefit were widespread. They pointed to letters from claimants going unanswered, unhelpful staff and claimants having difficulty getting the information they need from the Authorities.

7. We asked the Department why they did not consider it necessary to set standards and monitor performance against them for key areas of service to claimants. They stated that the responsibility for administration of the Scheme rests with the Authorities and there was a limit to the requirements that the Department could impose upon them. Ministers had decided to put into legislation only one standard—the time taken to clear claims—and it was the responsibility of the Authorities themselves to set standards for other aspects of service. However, the Department recognised that they were very new to monitoring and the precise line to be drawn on what they and the Authorities should monitor was a difficult one.

8. We recognise the progress made by the Department in developing monitoring arrangements for the Housing Benefit Scheme. We accept that individual Authorities are primarily responsible for the administration of the Scheme in their own areas. But nationally the Department have responsibility for expenditure of over £5 billion a year on the Scheme, and we agree with the view of our predecessors, which, indeed, was then accepted by the Department, that this responsibility includes seeing whether the Scheme is being run efficiently and effectively.

9. An important aspect of effectiveness is the service provided to claimants and we are disappointed that the recent developments in the Department's standard-setting and monitoring arrangements do not cover key aspects of service delivery to claimants. We therefore reiterate the views of our predecessors that the Department's standard setting and monitoring arrangements should be extended into these areas.

## CONTROL OF FRAUD AND ABUSE

(a) *Action to control fraud*

10. The Department have encouraged the Authorities to control fraud. In 1986, they promoted legislation allowing the Authorities to prosecute in fraud cases. In 1987, they issued a Housing Benefit Manual which set out the Authorities' responsibilities for fraud investigation and provided guidance on fraud prevention, investigation and prosecution. In addition, they have provided incentives to encourage the Authorities to investigate and recover overpayments, particularly where fraud is involved. However, a survey by the National Audit Office and the Chartered Institute of Public Finance and

C&AG's Report  
paras 2.3-2.4  
PAC's 6th  
Report, Session  
1984-85, paras  
20, 21(viii)  
Q 4564

PAC's 6th  
Report, Session  
1984-85, para  
20, 21(viii)  
C&AG's Report  
paras 2.6-2.7

Appendix 3

Q 4561-63,  
4640

Q 4564, 4640

PAC's 6th  
Report, Session  
1984-85, para  
20; PAC's 27th  
Report, Session  
1985-86, para  
15 and Treasury  
Minute (Cmd  
9859), para. 92,  
on PAC's 27th  
Report, Session  
1985-86

C&AG's Report  
paras 3.10-3.12

C&AG's Report  
paras 3.14-3.15

C&AG's Report  
para 3.16

Accountancy found that there was a wide variation between Authorities in the amount of fraud investigation undertaken, with many Authorities doing none at all.

Q 4565

11. We therefore asked the Department whether there was more that they or Authorities generally could do to detect fraud. This was of particular concern in the relatively high risk area involving the payment of rent allowances to private tenants. They told us that they were very conscious of the need to watch this area and were monitoring the numbers of prosecutions and the amount of fraud uncovered. When the results of this monitoring were available, they would wish to see whether they needed to do more.

*(b) Action to control abuse*

C&AG's Report  
paras 3.18-3.26

12. Since April 1988 the Department have provided incentives within the arrangements for subsidising expenditure on benefits to encourage Authorities to control one area of potential abuse of the Scheme. This abuse involves landlords requiring tenants to pay unreasonably high rents on which benefit is then paid. The National Audit Office Report showed that few Authorities had responded to these incentives and the Department told us that they did not yet know whether the incentives had been successful.

Q 4566

Q 4606-16  
C&AG's Report  
paras 3.27-3.28

13. We questioned the Department about the withdrawal of the power given to local authorities in England and Wales to ask the Rent Officer to determine a fair rent for tenancies entered into before the Housing Act 1988 came into effect in April 1989. This removed an important measure for controlling housing benefit expenditure involving hundreds of thousands of tenancies. The Department told us that while they had known of the proposal to make this change, the relevant policy was a matter for the Department of the Environment and they could not, therefore, explain why this power had been removed from local authorities.

Q 4608, 4610

Q4612-16

Appendix 2,  
para 4.2.3

14. We were informed by the Association of District Councils that, with effect from April 1989, all applications for Housing Benefit from claimants who are tenants on the new assured or short-hold tenancy basis in the private sector must be referred to the Rent Officer so that he may determine a reasonable rent for the property in question. To ensure that Housing Benefit is not used to meet excessive private sector rents, the Department then pays subsidy to the Authorities for Housing Benefit relating to the reasonable rent, which may be lower than the full rent.

Q 4590-93

15. The Association claimed that marginal reductions in the amount of subsidy achieved under these arrangements had been outweighed by additional costs falling on the Authorities. The Department told us that they had recognised that some incentive restrictions would cause difficulties, but that some compensation had been provided for these by increasing the rate support grant. They stated, however, that when they received the monitoring returns from the Authorities they would wish to see what had been happening in consequence of the changes introduced in April 1989.

*(c) Conclusions*

16. We note the action taken by the Department to encourage Authorities to control fraud and abuse. We are concerned, however, that the Department do not have any evidence on the impact of action taken well over a year ago, but note that their monitoring will eventually provide such evidence. We expect this to be reviewed promptly so that any further action that may be necessary can be taken without delay.

17. We find it unfortunate that an important measure which had the effect of controlling Housing Benefit expenditure—the power to ask the Rent



Officer to determine a fair rent for tenancies entered into before April 1989—was withdrawn. We recognise, however, that policy in this area is mainly a matter for the Department of the Environment. We trust they were aware of the considerations which were of importance to the Department of Social Security.

18. We note that the Department are monitoring the effect of the April 1989 changes in subsidy arrangements designed to ensure that Housing Benefit is not used to meet unreasonably high private sector rents paid by the new categories of assured or short-hold tenants.

C&AG's Report  
para 4.1  
PAC's 27th  
Report, Session  
1985-86, paras  
27(i), 27(iv)  
Treasury  
Minute (para  
91) on PAC's  
27th Report,  
Session  
1985-86

#### CONTROL OF ADMINISTRATIVE EXPENDITURE

19. Before April 1988, all administrative expenditure incurred by Authorities was reimbursed through a combination of specific grant provided by the Department and Rate Support Grant. Our predecessors were concerned that these arrangements gave Authorities little incentive to ensure that costs were tightly controlled. They also recommended that the Department investigate the wide variations in costs between Authorities. The Department accepted the need for such an investigation to see whether the variations were justified.

C&AG's Report  
paras 4.3-4.6

20. The Department are now phasing in revised arrangements designed to provide Authorities with a greater incentive to efficiency. While support is still provided through a combination of specific grant and Rate Support Grant, both the total amount of the specific grant and each Authority's allocation is now fixed in advance. The individual allocations are related to the size and character of each Authority's Housing Benefit caseload, using a formula related to the range of past administrative costs across all Authorities.

C&AG's Report  
para 4.10

Q 4568

21. However, for 1988-89 and 1989-90, the first two years of the revised arrangements, the Department will have supported a higher than intended proportion of Authorities' costs because the total amount of support for all Authorities was based on caseload forecasts which were subsequently found to be over-stated. The Department explained that the Housing Benefit Scheme was changed from April 1988 and therefore estimating the size of the caseload was much more speculative in 1988-89 and 1989-90 than it would be normally. They expected new monitoring arrangements, which will provide three-monthly returns from Authorities, to improve their estimating in the future.

C&AG's Report  
para 4.11  
Q 4569

22. The Department did not fully investigate the reasons for the considerable variations in costs between Authorities to establish the extent to which they were justified. They told us that they had based the distribution of the grant between the Authorities on the size and nature of their caseloads because on investigation they had found that that seemed to be the major explanation for differences in costs. However, the Department recognised that they needed to monitor this further to see whether the basis of distributing the grant is satisfactory.

23. We note the Department's revised arrangements for fixing in advance the level of total grant for the Authorities' administrative costs and then for allocating it to individual Authorities. We also note, with satisfaction, that the Department expect that their new monitoring procedures will enable the grants to be fixed in future at levels which reflect the caseload more accurately than in 1988-89 and 1989-90.

PAC's 27th  
Report, Session  
1985-86, paras  
14 and 27(iv)

24. We recognise that the Department have identified some reasons for cost variations, but we are concerned that the Department have failed to fulfil satisfactorily their undertaking to our predecessors to investigate the reasons for cost variations between Authorities and the extent to which they are justified. We therefore reiterate the recommendation of our predecessors that such an investigation should be initiated by the Department, jointly with the Audit Commission and local authorities or local authority associations, so that a better understanding can be obtained of the reasons for wide variations in the average administrative costs per Housing Benefit case and the average caseload per full-time member of staff.

#### DEVELOPMENT AND IMPLEMENTATION OF SCHEME CHANGES

##### (a) *General*

C&AG's Report  
paras 5.1 and  
5.9

25. Major changes in the Housing Benefits Scheme were introduced on 4 April 1988 and, following an announcement by the Secretary of State, further changes were announced on 27 April 1988. More changes were then introduced in 1989. We examined the Department on the development and implementation of these changes to see whether they had avoided the administrative problems that arose when the Scheme was introduced initially in 1982 and on which our predecessors had commented critically.

##### (b) *Implementation of 4 April 1988 Scheme changes*

C&AG's Report  
para 5.1

26. A survey undertaken by the National Audit Office and the Chartered Institute of Public Finance and Accountancy showed that there were delays in implementing the Scheme changes on 4 April 1988. Survey evidence showed that only 33 per cent of those Authorities responding to the survey questionnaire were able to implement the changes in full on time; 86 per cent of Authorities responding could operate their revised benefit assessment or payment systems on time, but 39 Authorities (14 per cent) were unable to do so and 19 Authorities reported that they could not pay benefit at all on 4 April.

C&AG's Report  
para 5.2

C&AG's Report  
para 5.7

C&AG's Report  
paras 5.7-5.8  
and table 8

27. The Department had recognised that Authorities would need to have the revised regulations and detailed guidance on operating the revised Scheme a clear twelve months before it came into effect; but in the event, the Department's target was not met. Final draft regulations were not made available until May 1987 and guidance on their application was not published until July 1987. Guidance on subsidy arrangements and part of the guidance on information systems was not published until August 1987. The remaining guidance on information systems was published in November 1987, 20 weeks late.

C&AG's Report  
para 5.6

Appendix 1,  
para 2.5

Appendix 3

28. Many Authorities were dissatisfied with these delays. The evidence submitted to us by the Association of District Councils showed that the delays prevented many Authorities completing computer software programmes on time. And while the vast majority of Authorities were able to ensure that benefit was available to claimants when due, the administrative difficulties had created hardship for some claimants. Also, the National Association of Citizens Advice Bureaux informed us that they had received widespread reports of excessive delays in processing applications, and that these delays had resulted in considerable stress and hardship to claimants.

Q 4584

Q 4620

Q 4584

Q 4622

Appendix 3

29. The Department told us that the changes introduced in April 1988 represented a massive restructuring of the whole Scheme, and that it had been a much more difficult task than the original introduction of the Scheme in 1982-83. There had been problems in getting regulations and guidance out precisely when needed, but they had done much better than in 1982-83. In the Department's view, Authorities had on the whole done very well indeed. They accepted that things had clearly gone wrong in the cases

referred to by the National Association of Citizens Advice Bureaux, but overall the picture was of much better performance than in 1982-83.

*(c) Appraisal of losses likely to be experienced by claimants*

CIAAG's Report  
para 5.9

30. The further changes to the Scheme announced on 27 April 1988 involved the introduction of transitional payments for those losing more than £2.50 a week and the relaxation of eligibility rules relating to capital limits. Ministers made the changes because the impact of the 4 April changes on some claimants had been too abrupt and, for some, losses of benefit had represented too high a proportion of their total income. Because these further changes had not been introduced with the 4 April changes, administrative costs are likely to have been higher and some people may not have received all the benefit available to them. The evidence submitted by the Association of District Councils and the National Association of Citizens Advice Bureaux also shows that problems were experienced in implementing these further changes and these had created worry and hardship for claimants.

Appendix 1,  
para 3  
Appendix 3

Q 4572-74,  
4627

31. We asked the Department why, when they were planning the major changes introduced on 4 April, they had not undertaken appraisals of the losses likely to be experienced by claimants as a proportion of total income. They told us that no formal appraisal of this type had been published, but that this did not mean that Ministers had not been aware of the situation. Figures were provided to show the size of losses and Ministers would know the income level of people on Housing Benefit, particularly those close to income support. The significance of specific losses would thus have been quite clear to Ministers without a lot of detailed and sophisticated calculations.

Q 4572

Q 4658

Q 4574

Q 4628-29

Q 4605

32. The Department told us that it was the duty of civil servants to provide to Ministers such evidence and statistics as may be of assistance to them. Officials would anticipate as many eventualities as seemed sensible, but they could not deluge Ministers with information on every conceivable thing. Officials had to make a judgement on what to provide, as well as providing everything Ministers specifically asked for. The Department told us that in this case, they provided everything they thought at the time was relevant. But, with hindsight, maybe they might have thought differently, and in the future they would take account of what had happened in this case.

Q 4676

Q 4627

Q 4575

Q 4660

33. The Department stated that they were not aware that appraisals of losses as a proportion of total income had been requested by anyone outside the Department, but recognised that they may have been wrong in making that assumption. The Department subsequently informed us that they had assisted the Social Services Committee in preparing for publication appraisals of this type, prior to the publication in December 1985 of the Government's White Paper on the Reform of Social Security. The appraisals published by the Committee had been based on hypothetical benefit rates chosen by the Committee.

Appendix 4

Appendix 1,  
para 3.1

34. The Association of District Councils had informed us that the whole episode of deciding originally, for the 4 April changes, that owners of capital of £6,000 or more would be disqualified from receiving Housing Benefit and then later, for the 27 April changes, that the limit should be increased to £8,000 had created worry and hardship to claimants and unnecessary additional administration for the Authorities. We therefore asked the Department what appraisals they had undertaken, when they were planning the 4 April changes, of the effects of setting at different levels the amount of capital beyond which claimants would be disqualified for benefit. The Department informed us that Ministers were provided with information about the consequences of a range of options for the treatment of capital. These consequences were, however, subject to a wide margin of uncertainty.

Q 4630-35

Q 4634  
Appendix 4,  
para 4

*(d) Implementation of Scheme changes announced on 27 April 1988*

C&AG's Report  
paras 5.14 and  
5.23

35. The Department decided that the transitional payments due under the changes announced on 27 April 1988 should be administered from a central Transitional Payments Unit within the Department. They estimated that the administrative cost of this arrangement in 1988-89 was likely to represent 33 per cent of the value of transitional payments made.

C&AG's Report  
paras 5.18-5.20

36. The Department started making the transitional payments within eleven weeks of the decision to set up the Unit, but clearance times were long for a large number of claims, mainly because of the need to obtain confirmation of applicants' entitlement from the Authorities. Additionally, some claims were delayed because the Department sent enquiry forms to the wrong Authority and because the first edition of the transitional payment application form, prepared by the Department, did not require the applicant to declare that information provided was correct.

Appendix 3

37. The evidence submitted to us by the National Association of Citizens Advice Bureaux showed that some claimants were having to wait months for payments and that they had received many reports of miscalculations and of unanswered letters and telephone calls. Also, the Association of District Councils informed us that the transitional payment arrangements were cumbersome, resulting in delays for claimants and additional administrative costs for the Authorities. The Department have now set in train a study of the establishment of the Transitional Protection Unit to see what lessons can be learned.

Appendix 1,  
para 3.1

C&AG's Report  
para 5.21

C&AG's Report  
para 5.15  
Q 4578-80

38. The Department had originally estimated that there would be 300,000 successful applications for transitional payments, resulting in benefit expenditure of £65 million in 1988-89. However, only about 70 per cent of this number had been received and we asked the Department what more could be done to improve take-up. They told us that they thought their original estimate of 300,000 had been wrong and, while they could not say what percentage of people eligible for payments had applied, they thought that take-up was above the 70 per cent level.

*(e) Implementation of Scheme changes in 1989*

Appendix 1,  
paras 2.8-2.9

Q 4585-88

39. The Association of District Councils reported to us that in introducing two administrative changes to the Housing Benefit Scheme from 1 April 1989, the Department had created further problems for the Authorities by not allowing adequate time for the required preparatory work. The Department told us that for one of the changes, publication of the agreed details had been delayed because time had been needed to take account of matters raised by the Authorities. In the second area, the Department accepted responsibility and had apologised to Authorities for the delay.

*(f) Conclusions*

40. We recognise that in developing and implementing Scheme changes in 1988-89 the Department largely avoided a repetition of the very serious problems experienced in 1982-83 which had been criticised by our predecessors. We do, nonetheless, have some serious concerns about the Department's performance in a number of areas.

41. First, we note that the Department now recognise the importance of providing Authorities with adequate time to prepare for the implementation of changes to the Scheme. Nevertheless, the draft regulations and guidance about the 1988 changes were not issued on time and this contributed to the problems experienced by Authorities. We also note that the Department continued to have difficulties in issuing relevant information in sufficient time for the changes made in 1989. We therefore recommend that, when

future changes to the Scheme are proposed, adequate time is allowed for consultation with the Authorities and for preparation of the necessary regulations and guidance.

42. Secondly, we note the Department's evidence that Ministers would know the income level of people on Housing Benefit and that the significance to claimants of losses likely to arise from the April 1988 Scheme changes would have been clear to Ministers from the Department's appraisals of the likely size of losses. But we believe that Ministers would have been assisted if the Department had presented them with explicit calculations of likely losses to claimants as a proportion of total income. Losses of this type are an important financial aspect of the impact of changes in social security policy which we believe the Accounting Officer should have brought to the attention of Ministers when such changes were considered. We are not entirely reassured by the Department's statement that they are confident that what has happened will be taken note of, and we would welcome a more explicit undertaking that in future they will produce and provide Ministers with all the information needed for important policy decisions of this sort.

43. Thirdly, we note that the Department are studying the administrative arrangements for the operation of the Transitional Protection Unit established to implement the changes to the Scheme announced on 27 April 1988 to see what lessons can be learned.

44. Finally, we are concerned that the Department have not established why take-up of transitional payments has been lower than expected. We recommend the Department to undertake the necessary research to see whether more needs to be done to promote the take-up of these payments.

PROCEEDINGS OF THE COMMITTEE RELATING  
TO THE REPORT

WEDNESDAY 21 JUNE 1989

Members present:

Mr Robert Sheldon, in the Chair

|                         |                   |
|-------------------------|-------------------|
| Mr Graham Allen         | Mr Michael Morris |
| Mr D N Campbell-Savours | Mr Richard Page   |
| Mr Ian Gow              | Mr Jeff Rooker    |
| Mr Michael Latham       | Sir Michael Shaw  |
| Mr Robert MacLennan     |                   |

Mr H D Myland, CB, was further examined.

The Committee deliberated.

Mr J S Beasall was further examined.

The Comptroller and Auditor General's report on Department of Social Security: Housing Benefits was considered.

Mrs A Bowtell, CB, Deputy Secretary, and Mr M Whippman, Under-Secretary in charge of Social Security Policy Division D, Department of Social Security, were examined.

\* \* \* \*

[Adjourned till Monday next at half-past Four o'clock.

\* \* \* \*

WEDNESDAY 7 FEBRUARY 1990

Members present:

Mr Robert Sheldon, in the Chair

|                   |                  |
|-------------------|------------------|
| Mr Terry Davis    | Mr Jeff Rooker   |
| Mr Michael Latham | Sir Michael Shaw |
| Mr Michael Morris | Mr Alan Williams |

Mr R M Le Marechal was further examined.

The Committee deliberated.

\* \* \* \*

Draft Report (Department of Social Security: Housing Benefits), proposed by the Chairman, brought up and read.

Paragraphs 1 to 3 read and agreed to.

Paragraph 4 postponed.

Paragraphs 5 to 44 read and agreed to.

Postponed paragraph 4 read and agreed to.

*Resolved*, That the Report be the Third Report of the Committee to the House.*Ordered*, That the Chairman do make the Report to the House.*Ordered*, That the provisions of Standing Order No 116 (Select Committees (Reports)) be applied to the Report.

[Adjourned till Monday next at half-past Four o'clock.

# MINUTES OF EVIDENCE

TAKEN BEFORE THE COMMITTEE OF PUBLIC ACCOUNTS

WEDNESDAY 21 JUNE 1989

## Members present:

Mr Robert Sheldon, in the Chair

|                          |                   |
|--------------------------|-------------------|
| Mr Graham Allen          | Mr Michael Morris |
| Mr Dale Campbell-Savours | Mr Richard Page   |
| Mr Ian Gow               | Mr Jeff Rooker    |
| Mr Michael Latham        | Sir Michael Shaw  |
| Mr Robert Madlennan      |                   |

Mr H D MYLAND, CB, Deputy Comptroller and Auditor General, further examined.

## REPORT BY THE COMPTROLLER AND AUDITOR GENERAL HC 415

### DEPARTMENT OF SOCIAL SECURITY: HOUSING BENEFITS.

#### Examination of Witnesses

Mrs ANN BOWTELL, CB, Acting Permanent Secretary, and Mr M WHIFFMAN, Under Secretary in charge of Social Security Policy Division D, Department of Social Security, examined.

Mr J S BEASTALL, Treasury Officer of Accounts, further examined.

#### Chairman

4561. Welcome to the Committee. This afternoon we are looking at the Department of Social Security housing benefits, a report by the C&AG. One in four households in Britain receives housing benefit amounting in total to £5.2 billion with more than five million claimants. The administrative cost of all this is £227 million. We look first of all at paragraphs 2.6 and 2.7 where we see you do not consider it necessary to monitor performance against standards for important parts of the service to be provided by authorities who administer the scheme. This is against a recommendation in your own review and also against a recommendation of the Committee of Public Accounts in their Sixth Report of 1984-85. Why is this?

(Mrs Bowtell) The recommendation of the review team was from an independent review body, it was not one of the reviews chaired by Ministers. Ministers decided when they considered the review that they would put into legislation one standard, which is a 14-day clearance time, but that they did not want to put in more standards. The reason for this is that the administration of the scheme is put by legislation on local authorities. Responsibility for administration does not rest with the department and there is a limit to how much we can impose on local authorities in terms of the requirements for them to carry out. That is basically the reason why Ministers did not put more standards on.

4562. But your own review recommended it. Why did it recommend it then?

(Mrs Bowtell) It is a question of the balance between the local authority responsibility and the central Government department's responsibility. The review team took one view, which was that they thought that in the interests of having common standards right across the country there ought to be a good deal more standard setting in relation to local authorities. Ministers took another view, which was that given they were placing the administration of

the scheme very firmly on local authorities it was not right actually to impose a great raft of detailed requirements on local authorities. That was the responsibility of local authorities themselves subject to audit.

4563. This Committee places a great deal of weight on monitoring. It is the only way you can be sure that if some of the programme is wrong you can do something about it as it goes along rather than wait until errors build up. We see in paragraph 2.8 on the same page that statistical and management information for monitoring effectiveness of the changes that were introduced in April 1988 are not going to be available until 1991, three years. Why do you need three years to produce this kind of information?

(Mrs Bowtell) The information which will not be available until 1991 is that coming from the Family Expenditure Survey. We shall have a great deal of information available by this autumn, which will come from the information we are getting direct from local authorities. The monitoring information that we put in train through local authorities ought to be available this year. The Family Expenditure Survey is a big national survey which is not completed until this spring and then takes a good deal of time actually to process. That will give us extra information on things like takeup of housing benefit. All the information about what is happening in local authorities that we are collecting will be available much sooner than that.

4564. Will you be able to make use of it?

(Mrs Bowtell) We hope so. One of the reasons we have not perhaps got as much information being collected as the Committee would like is that we are very new to this. We did virtually no monitoring earlier on. We have set up now a monitoring system which will collect a very great deal more information than we had before. Unless we can make use of it, it is not going to be worth putting those impositions on

**[Chairman Conold]**

local authorities. We are very much trying to see how much use we can make of what we get and the use we can put it to before we consider going further.

4565. Can we turn to Control of Fraud and Abuse, Part 3. This suggests that a number of authorities do not pay too much attention to the possibility of fraud on housing benefit. The National Audit Office/CIPFA survey has produced some evidence about the extent of such fraud. What more could you and local authorities do about this?

(Mrs Bowtell) We have already done a good deal more since the beginning of the new scheme. We have put out a good deal more guidance and so has the Audit Commission. We have brought in new legislation which will enable local authorities to take on their own prosecutions. As part of the monitoring system we are asking them to give us information about the numbers of prosecutions and the amount of fraud uncovered. The result of this will be to raise the awareness of local authorities a good deal and the NAO report indicates that they are already a good deal more aware of fraud. We shall need to look at the results of the monitoring system to see whether there is more we need to do. We are very conscious of the need to watch this area.

4566. You did introduce incentives to local authorities and you expected some benefit savings of about £10 million to come about as a result of the introduction of these incentives which were to restrict benefits paid on unreasonable rents. What have you done to find out the proportion of the expected savings that you are actually going to realise?

(Mrs Bowtell) The savings from the measures we have taken will become directly evident when we get the returns from local authorities on monitoring because of course their subsidy returns will show the numbers of cases in which they are actually paying above the threshold at which we subsidise 97 per cent. It is very difficult to tell what the total effect of it has been in terms of the effects on rents generally but we shall certainly know how much money has been directly saved in terms of subsidy not paid.

4567. Would it be that sort of figure? £10 million?

(Mrs Bowtell) We really do not know yet. That was the estimate we made to start with. Until we have the returns we really cannot tell.

4568. Can I now turn to paragraphs 4.9 and 4.10, the administrative expenditure. This shows in paragraph 4.9 and 4.10 that in the years 1988-89 and 1989-90 you supported a higher proportion of authorities' administrative costs than planned. There was an over provision, as we see from paragraph 4.10 "... because current estimates show a 22 per cent fall in caseload instead of the 14 per cent fall expected". How are you proposing to recover this over provision?

(Mrs Bowtell) The system that we have now adopted for local authority costs means that we fix the amount in advance and it is a cash limited Vote. That is as opposed to the previous system where local authorities told us what they had spent and we

scrutinised the accounts and, subject to any questions we had, we paid the proportion that was due on that. If you have a system where you fix it in advance, then you have to try to estimate as carefully as you can the factors which underlie it. In this case the important factor is the caseload. We did not get the caseload right. We over-estimated what the caseload would be. There were a variety of factors in this; one of them was the higher than expected fall in unemployment, another the higher than expected rise in earnings. This was a particularly difficult year because of course we had the new scheme coming in so that it was much more speculative than it normally would be. In future we should have much better data to estimate the caseload because we will have the three-monthly returns from the local authorities which we are now getting in. For this year the provision was fixed in advance of that information.

4569. Despite what the Treasury Minute on our 27th Report said, paragraphs 4.11 to 4.13 show that you did not fully investigate the variations in costs between different authorities and whether those were justified. You have revised subsidy arrangements. Are you sure they are going to be an effective spur to efficiency?

(Mrs Bowtell) We certainly think they will be a much more effective spur than the arrangements we have had hitherto. We have based the distribution of the grant between local authorities on their caseloads and the nature of their caseloads because we found on investigation that that seemed to be the major explanation for differences in cost, that some kinds of cases turn over much more quickly and hence are very much more expensive. We obviously have to watch this and see whether we have got it right. This is the first year we have done this.

4570. The crucial thing about investigating variations in costs is that you can do something about it. This is what we hope: having got the information you are then going to find out just why it is and try to make suggestions to improve those where improvement is needed and to learn from those who are doing this more successfully than others.

(Mrs Bowtell) In terms of the variations in costs we are using for subsidy purposes, we found that the main variation was in terms of the treatment of the caseload. If you are looking wider than that, then we are looking back to the monitoring information which we discussed before, which indeed we would hope to use so as to spread good practice and let local authorities learn from each other.

4571. We will now turn to Part 5. This is the most serious part of our investigation here today. We have the comments and the experience of the Citizens Advice Bureau. One of these comments is that a 69-year-old waited more than ten weeks for housing benefit payment and was evicted by landlords due to rent arrears. All of us have had similar kinds of problems. I have had more tears on this as a constituency Member of Parliament than on anything else. It has been a very serious matter indeed



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MRS ANN BOWTELL, CB and Mr M WHIPMAN

[Continued]

*(Chairman Coud)*

and I must question the administrative competence of the department. We find levels of competence which vary greatly within departments and so often it is the peripheral aspects which do not receive a very great deal of attention because it is not considered important enough and does not warrant the attention of the main people within the department. That cannot be said of the housing benefit scheme and this is why it is a most serious matter that we have to look at. What I find very difficult to understand is why there were no transitional arrangements built into the scheme from the beginning. I have thought about this again and again and I cannot understand this. Can you help me?

*(Mrs Bowtell)* This was a matter of Ministers' decision. It was a political decision that they were not going to have transitional arrangements in the scheme. One of the reasons for the housing benefit reductions were that they wanted to restrain expenditure on the scheme and they decided to start with that; they did not want any transitional arrangements. There was also the point that there had been transitional arrangements in 1982-83 when the scheme was being restructured but not cut back. Those had been very very complicated to administer indeed and had been one of the reasons why local authorities got into such a mess actually introducing the 1983 scheme. They very strongly held the view that for local authorities to have to cope with transitional arrangements would make the introduction of the scheme very difficult.

4572. But that ministerial decision was based of course on information and the information that they had—it is not for me to guess at the reasons for their decision but I can see from paragraph 5.12 an astonishing statement where we see that although the number of people that were expected to lose more than £5 a week was known, no calculations were made of the likely losses as a proportion of total income. I find this incomprehensible, frankly. I know other departments where they go into these matters with extraordinary care—the Inland Revenue on tax matters—to see just how it is going to affect individuals. To know that somebody is going to lose £5 is one thing; to know somebody is going to lose £5 out of £50 is another. I have had people—I am sure members of the Committee have all had such people—coming heartbroken that they cannot manage as suddenly, despite all the care they have taken, they find themselves with the floor just removed from them. Why in heaven's name did you not undertake to find out how much people were going to lose as a proportion of their income. Why was this not undertaken?

*(Mrs Bowtell)* There were no formal estimates of that published but that does not mean that Ministers would not have been aware of what the situation was. Ministers would know the income level of the people on housing benefit, and particularly the ones close to income support. Certainly in discussion they would use those figures in relation to the sorts of income levels we are talking about. It would not be that they were not aware of that, it would simply be that we did not publish formal tables actually reflecting it.

4573. But this kind of heartless incompetence—I must use words which I rarely use in these matters—the calculations should have been available to the Minister of certain numbers of people, categories of people, with certain levels of income, showing how many people in each income range, with all their circumstances, and how much they would lose as a proportion. On that basis the Minister would know much more than he seems to have known and this is the task of the Department in providing the information. It seems that the Department did not provide that information. I must ask you again. The Minister did decide subsequently to find this out. Why did the Department not do it before?

*(Mrs Bowtell)* The Department would have done it if the Minister had asked for it.

4574. Would the Department not think this a normal thing to do without being asked?

*(Mrs Bowtell)* In social security, the incomes of the people we are dealing with are known over quite limited ranges because they will be based on the income support rates. We will know where they actually taper out. We are not dealing with something like the Inland Revenue where you have a great range of incomes; you actually know within what limits you are applying it. Therefore the significance of the £5 loss would be quite clear without a lot of detailed and sophisticated calculations.

4575. Can I take it that this kind of administrative incompetence is not likely to recur?

*(Mrs Bowtell)* We provide the analyses that Ministers ask for and that we think are required actually to illustrate the effect of the scheme. I am sure what has happened this time will be taken note of.

4576. You would wait for a Minister to ask you for information of this kind?

*(Mrs Bowtell)* Clearly we provide information to start with and then the Minister will ask for more information and we will provide whatever they want.

4577. No, no. The Minister must be provided with information relevant to his decision. This is a crucial piece of information relevant to a decision. That is the task of the Department surely?

*(Mrs Bowtell)* And the basic analyses that we did—and there were a great many of them—did provide the basic material that was relevant. Ministers would have been well aware of the income ranges over which we were operating.

4578. We are not going to get much further on this then, but I must say that I find this very unsatisfactory. These are matters that are of the highest importance for the ordinary citizen in our country. Can we now come on to paragraph 5.15. This shows that only 70 per cent of the 300,000 people you expected to apply for transitional payments following the changes announced on 27 April had in fact applied. What more can be done to find more of these people? Why is it such a low proportion?

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[Continued]

**[Chairman Continues]**

(Mrs Bowtell) We think the 300,000 figure was wrong. It was the best estimate we could make at the time, but we did not really have the information available to make a precise estimate. We knew from the analyses, from our statistical surveys, how many people in those surveys were likely to lose, but because they were people who would not be represented in large numbers in the sample you simply could not estimate. In other words, the range of error in the survey was large. 300,000 was the best estimate we could make. Everything that has happened since makes us believe that was considerably too high and in particular the fact that some local authorities who did contact all the people, because they were able from their records to contact all the people they thought were entitled, found that there were smaller numbers than we had supposed. We think the 300,000 is too high and that it is a good deal lower than that, so the take-up will actually be a good deal more than 70 per cent.

4579. So what percentage? If not 70 per cent what would you say?

(Mrs Bowtell) There is still not the information that would enable one to say it more precisely. We expect the final figures of take-up to be 210,000 to 220,000, so the figure is going to lie somewhere between that and 300,000.

4580. But you do not know what the 300,000 should have been but you think it is definitely well above 70 per cent.

(Mrs Bowtell) Yes, we think take-up is definitely above 70 per cent.

4581. Paragraph 5.9 shows that administrative costs are likely to be greater because the changes that were announced on 27 April were not introduced together with the main 4 April changes. Paragraph 5.23 shows that the National Audit Office have not been able to identify the additional costs, but at least half of the publicity costs would certainly have been saved. What other costs might have been avoided?

(Mrs Bowtell) That depends on how we did it. Because of our experience last time, trying to do it through local authorities, I suspect that even had we done it earlier, we would have had to do it through a central unit, in which case we would have had to incur most of the costs that we in fact incurred. We would obviously have been able to save some of the publicity costs because we would have been able to pick people up as we went along.

4582. You have the transitional payment unit, 300 or 400 staff in Glasgow. Is that right?

(Mrs Bowtell) It is down to about 150 now.

4583. When are you expecting it to be wound up?

(Mrs Bowtell) That depends on how long transitional payments go on. The numbers have fallen quite steeply but clearly there are some people who have very large transitional payments and will still be getting them for some years. So we shall need to run it much more closely with one of our other offices so that we get maximum economy.

**Mr Rooker**

4584. Can I draw your attention to the memorandum from the Association of District Councils in paragraph 2.6 they make the point that "The responses to the National Audit Office questionnaire will identify more precisely the extent of the difficulties involved". They go on in the following paragraph to point out that "... at a very late stage (2nd March 1988) the D.S.S. did accept that a number of authorities were having difficulties and put forward contingency arrangements". They then outlined Lesson 1 "The Government administration must allow time for the proper preparation of legislation and local authorities must be given adequate time". Has the Department learnt and taken on board that lesson? Does it accept it?

(Mrs Bowtell) We learnt the lesson from the last change in housing benefit. The change this time on the whole has actually gone very well. Nearly 90 per cent of authorities had everything done on time except for the management information system. It was a colossal change, a massive restructuring of the whole scheme, done at the same time as we were restructuring the social security schemes as well. On the whole, it was done very well indeed by local authorities. There are always problems in getting things out on the precise times that we need to get them out but it certainly was a very much better exercise than the last one.

4585. If the Department has learnt the lesson, how come paragraph 2.8 follows the point on Lesson 1, outlining what has happened this year with the publication of the 16 March circular, HB89(6), and paragraph 2.9 makes it clear that "... in April 1989 the government initiated talks about changes in the arrangements for dealing with benefit on bed and breakfast accommodation charges with an implementation date of the 1st April 1989"? How are local authorities expected to cope with this arrangement, clearly knowing that the Department has not learned lessons from the past?

(Mrs Bowtell) May I deal with those two separately. First the rent officer arrangements. Proposals were put to the local authorities. They then asked for them to be changed. They knew all the arrangements and how we wanted to work the rent officer provision, but they asked for the subsidy arrangements to be changed. It was because we changed the subsidy arrangements to meet their views that the material was not ready as early as it should have been. The final consultation was done faster than it should have been done, but they still had notice beforehand of what was going on. In that case, it was because we were trying to meet what they wanted to do that the thing was delayed. In the case of the bed and breakfast, I am afraid we have apologised to them for that. It was an error on our part. We were later than we should have been.

4586. Can I just press you on the first part. In the middle of paragraph 2.8 it states that a meeting took place between the DSS and the local authorities and the major computer software companies. "... it

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[Continued]

**[Mr Rooker Contrd]**

was acknowledged that insufficient time had been allowed to enable the necessary amendments to the computer software to be made". Just because you promulgate to the local authorities and they actually come back and say they do not quite accept it and then you agree to change, if that then puts them on the spot—and in this case it clearly has—then your timetable was insufficient or the consultation was not genuine. That is what the local authorities are going to think.

(Mrs Bowtell) The consultation was genuine because Ministers changed the arrangements to meet local authorities' wishes.

4587. But the consultation did not have a built-in time factor to allow for any changes, did it, otherwise we would not be in the position we have here of local authorities having to keep manual records? There was no time built in in case a change was needed in the computer software.

(Mrs Bowtell) In this case they actually met Ministers in November 1988 to discuss it. There had actually been a good deal of time allowed before they started. The actual rent officer arrangements, the new rent regime, had come in in January.

4588. Who acknowledged that insufficient time had been allowed? Are the Association of District Councils referring to the computer software companies, themselves of the DSS or all three? Who acknowledged that insufficient time had been allowed?

(Mrs Bowtell) Once the change in the subsidy arrangements had been made we agreed that there was now insufficient time to change the software to take account of the new arrangements. I cannot speak for what the ADC meant in drafting this paragraph.

4589. I accept that you have not agreed this document. Can you turn to Lesson 3 in this same document. Is that a lesson the Department is likely to take on board?

(Mrs Bowtell) Here we do differ from the ADC. We are using the subsidy arrangements in order to try to move local authorities towards a more efficient and effective way of operating. This is the route through which we are trying — — —

4590. I am sorry to interrupt. This whole paragraph talks about private sector rents. It is nothing to do with local authorities. Paragraph 4.2.3, Restrictions on Private Sector Rents for Subsidy Purposes. There are then four or five paragraphs. Lesson 3 follows those so the local authorities do not seem to be involved. The local authorities are involved because of what is in the discussion.

(Mrs Bowtell) Yes. The purpose of the provision on private sector rents is to try to ensure that housing benefit is not used to meet very high private sector rents. We think that is a proper purpose for the use of our subsidy restrictions that we should actually seek to persuade local authorities that they should operate controls so that very high rents are not met. That is the purpose of the controls and we think it right they should be in there.

4591. They then make the point that if that is the case the local authorities are faced with two options. They either pay the benefit on the full rent and do not get all the subsidy, or the tenant meets the difference from their, by definition, scarce resources which would be known because of the whole system. If they cannot meet the rent, then the local authority at the end of the day will be required to rehouse; that is the tenor of the whole argument here. Marginal reductions in the amount of subsidy are likely to involve the local authorities in costs far beyond those savings.

(Mrs Bowtell) We do see that in some of the incentive restrictions we put on here, there is some perfectly proper expenditure which is being caught. That is why we actually added a half per cent back under the rate support grant, so the local authorities have some compensation for that.

4592. Are you monitoring the effect on private sector changes, particularly the move to the new assured tenancy arrangements?

(Mrs Bowtell) The overall change in the private sector is something which will be a DOE responsibility on the housing side. We shall certainly be keeping a close eye on what happens to housing benefit and what happens to housing benefit rents.

4593. That is what I meant, in respect of the benefit, that is your Department's responsibility.

(Mrs Bowtell) When we get the monitoring returns from local authorities we shall certainly see what has been happening in that area and in the benefit area so we shall want to watch this very carefully.

4594. Would it surprise you that in using the new assured tenancy arrangements—I emphasise "new"—for market rents for existing properties some private sector landlords are changing the rules about succession from parents to children. I have a situation with a constituent of mine aged 50 who has lived in the house since 1947. Both his parents have now died. The wife succeeded to the tenancy after the husband died. This man has actually nursed both his parents and is now left in occupation. He has not been offered succession. The landlord has said that the existing rent of £19 a week, on which housing benefit of some £17 a week was paid when his mother was alive, will be increased to £50 a week. That is the new market rent under an assured tenancy. The rent officer has said £35 a week is the maximum housing benefit on this. He cannot pay. His total income is less than £35 a week from his sickness benefit. He clearly cannot meet £15 a week. This is a classic example of where the local authority, in Birmingham by the way, is probably going to have to rehouse my constituent in due course because they will not want to lose all the subsidy. Would it surprise you to know that kind of thing is going on? I have heard of other cases in the City of Birmingham exactly the same.

(Mrs Bowtell) In that particular case it sounds as though the man would have fallen into one of the vulnerable groups where we actually pay a 50 per cent subsidy. In other words, local authorities asked us,

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MRS ANN BOWTELL, CB and MR M WHIPPMAN

[Continued]

[Mr Rooker Continues]

because of the needs of people like that, actually to raise the subsidy in cases like that. Obviously we shall want to monitor this very carefully and want to listen to what the local authorities say about it. This is a new arrangement and we shall want to know how it works out.

4595. Yes, but in your Department's assessment and calculations for the increase in benefit you are going to have to pay out are you contemplating increases in rent from £19 a week to £50 a week for the same property under the new assured tenancy market rent arrangements and the consequences on benefit? Is that kind of hiking rent a factor that has been in the Department's thinking and calculations as to what the benefit expenditure might be?

(Mrs Bowtell) I am not sure I have details of what actually underlay that calculation of £10 million which we gave to you. It certainly sounds a rather sharp increase all at once to me.

4596. It is a phenomenal increase. Can one of your colleagues assist the Committee on this?

(Mr Whippman) There was a planning assumption, which was essentially the DOE assumption, given in the Public Expenditure White Paper, of what would happen in rents, which was essentially for the private sector a real increase of 8 per cent in the first year and 4 per cent a year thereafter.

4597. These are for new tenancies are they not?

(Mr Whippman) This is for the average private rent met through housing benefit in the private sector.

4598. Have you made an assessment, not just of the new tenancies to which the new rules would apply in any event, but of landlords changing their rules about succession arrangements from parents to children and then granting a new tenancy, i.e. a new assured market rent tenancy at these new phenomenal market rents? Was this a factor in the calculation that is in that White Paper?

(Mr Whippman) The factor is very much an aggregate factor for expenditure overall representing the effect on the market as a whole. It is DOE's estimates of what were basically their policies.

4599. Which did not include a hike from £19 a week to £50 a week I presume on average.

(Mr Whippman) Part of the point of introducing the rent officer arrangements was precisely to prevent exploitation of the housing benefit system by landlords trying to put up rents above what was reasonable and what the market would normally predict. That was precisely why we introduced the control arrangements.

Mr Rooker: And there are these vulnerable groups of course.

Mr Gow

4600. Are you surprised to know that I listened with disbelief to the answers which you gave to the Chairman about paragraph 5.12?

(Mrs Bowtell) Yes, I would be rather surprised.

4601. When it is stated in paragraph 5.12 that estimates were published in October 1987, what does "published" mean?

(Mrs Bowtell) They were made publicly available. They were available, printed, laid in the Library of the House, available for anyone who wanted them.

4602. The Comptroller and Auditor General thinks that it is pertinent to comment that the estimates did not include calculations of likely losses as a proportion of total income. Do you think that it would have been helpful to Ministers if you had prepared calculations of likely losses as a proportion of total income?

(Mrs Bowtell) I do not know whether or not it would have influenced their decision: I would have thought probably not. The fact remains, as far as I am aware, that we were not asked, not just by Ministers but not asked by anybody in parliamentary questions or any other way to publish figures of these kinds. I may be wrong and there may be something on the record in parliamentary questions but the proposals have been through the Houses of Parliament and figures were laid out publicly. I am not aware that we were actually asked for those sorts of figures.<sup>1</sup>

4603. Why do you think the Comptroller and Auditor General thinks that it was necessary to include that sentence, "The estimate did not . . . include calculations of likely losses as a proportion of total income"? Why did he do that?

(Mrs Bowtell) Presumably because he thought that would be an additional helpful analysis. Obviously every extra analysis is useful.

4604. If every member of the Committee of Public Accounts, if the Comptroller and Auditor General, if all of those people, of trifling significance though you think they are, all believe that it would have been helpful to have these calculations, are you telling the Committee that you alone think that those calculations would not have been helpful to Ministers?

(Mrs Bowtell) Any extra piece of information is obviously helpful to Ministers. It is a question of how much information you actually produce at a time. As I say, I am not aware that anybody outside asked us for this information after the estimates were actually published. If it was a matter of such great interest, I am surprised nobody did.

4605. Is it not the duty of civil servants to provide to Ministers who are charged with making decisions such evidence and statistics as may be of assistance to Ministers?

(Mrs Bowtell) Yes, of course.

4606. Could I turn now to page 14. Although the Housing Act 1988, when it was presented to Parliament as the Housing Bill, was the responsibility of the Department of the Environment, some parts of that Bill as it then was were of interest, were they not, to your Department?

(Mrs Bowtell) I believe so.

<sup>1</sup> See Appendix 4

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MRS ANN BOWTELL, CB and Mrs M WHEPPAN

[Continued]

[Mr Gow Continues]

4607. When you say that you believe so, does that mean you think so but are not certain?

(Mrs Bowtell) Yes, it does.

4608. Would it have been of interest to your Department that there should cease to be power for a local authority to ask the rent officer to determine a fair rent?

(Mrs Bowtell) Yes, clearly it was. I am sorry, I should have been clearer. I had not checked the paragraph properly. Clearly it was of interest and that matter was of interest to this Department.

4609. Why did your Department agree to remove the power from local authorities to ask the rent officer to determine a fair rent?

(Mrs Bowtell) This would have been a ministerial decision. A thing like this would not have gone into a Bill without the Minister deciding it. It was of course being replaced by the new system of rent officers.

4610. No, the new system of rent officers applied only to those tenancies which began after April 1989. There are many tenancies, are there not, hundreds of thousands of tenancies, are there not, which were entered into before April 1989?

(Mrs Bowtell) Yes, indeed.

4611. And in respect of all of those tenancies the old fair rent regulations continue to apply, do they not?

(Mrs Bowtell) Yes, they do.

4612. Why was it advantageous to remove from local authorities the rights which they had enjoyed previously to ask rent officers to fix the rents in respect of those hundreds of thousands of tenancies which even you agree are continuing under the old formula?

(Mrs Bowtell) That would be a matter which was the responsibility of the Department of the Environment. It is not a matter that I could comment on.

4613. We are talking about the right which had been conferred previously on local authorities to ask the rent officer to fix a fair rent and that was highly relevant to what is now and was then housing benefit. That was a matter that did not concern the Department of the Environment at all but which only concerned the Department then of Health and Social Security and now of Social Security.

(Mrs Bowtell) No, I do not think it did only concern us; it was primarily a matter for the Department of the Environment. We would of course have known of it.

4614. But the ability of a local authority to ask the rent officer to fix a fair rent is most relevant in respect of the amount of housing benefit payable in respect of a tenancy entered into before April 1989 is it not?

(Mrs Bowtell) It is clearly relevant but the responsibility for the registration system rests with the Department of the Environment and not with us.

(Mrs Bowtell) Basically it is DOE policy rather than ours. We are talking about determination of rent levels.

4616. But the relevance of rent levels to housing benefit?

(Mrs Bowtell) That is ours and clearly we would have been involved in it, but it is not basically a bit of our policy I am afraid.

Mr Latham

4617. Would you say in retrospect that the 1984 housing benefit scheme was well introduced, that the administration was satisfactory?

(Mrs Bowtell) Do you mean the 1982-83 one, or have I missed one?

4618. Yes. The one on which the Committee reported in 1984.

(Mrs Bowtell) No, it was not introduced very satisfactorily.

4619. In fact the Department admitted so in the Treasury Minute in 1985 which I have in front of me, did they not?

(Mrs Bowtell) Yes, it did.

4620. Was it therefore not all the more important for the Department to get it right this time?

(Mrs Bowtell) Yes, it was and I do not think it did too badly. I think actually local authorities and the Department really introduced this scheme reasonably well. It was a much more difficult thing to do than the 1982-83 one was.

4621. Would you say that was the conclusion that one would draw from reading the memorandum provided by the Association of District Councils?

(Mrs Bowtell) They do start by saying that there was a tremendous amount of hard work and a very tight timetable. Clearly the overall thing does not necessarily give that impression. They are picking out particular pieces and they are speaking from a particular point of view. I would still maintain that it was done well by local authorities as well as by us. Local authorities put in a tremendous amount of effort. It was a great deal better than the 1982-83 scheme.

4622. Would you say that one could draw a similar conclusion that things had been well introduced by the submission from the Citizens' Advice Bureau? Is that not as disturbing a document as it is possible for this Committee to read?

(Mrs Bowtell) That is based on a series of cases from particular places. Again, clearly things go wrong. I would never deny that. Even the NAO report acknowledges that the thing was much better done than last time.

4623. Mr Myland, could I ask you about paragraph 5.12. Since Mrs Bowtell said in effect that this was for you to answer, let us ask you. Why did the NAO put in the sentence, "The estimates did not, however, include calculations of likely losses as a proportion of total income for the various categories

4615. Do you want to reconsider that answer?

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[Continued]

[Mr Latham Contd]

of housebold"? Was this information volunteered to you by the Department that they did not provide such information?

(Mr Myland) You will see that the sentence goes on to say that this was one of two factors mentioned by the Secretary of State in his statement to the House of Commons. That statement by the Secretary of State drew our attention to this particular factor. Then you will see that we obviously inquired of the Department about this and in the final sentence of that paragraph we explain that the Department told us "that they had not at any stage undertaken detailed calculations of such losses".

4624. Did your officers have, as usual, access to all departmental files on this matter, subject to the normal criteria which we have discussed in this Committee before?

(Mr Myland) In this particular area it was explained to us that there were no calculations and therefore no files to examine.

4625. Did your officers feel that Ministers had had sufficient information placed before them to be able to make this decision?

(Mr Myland) I think that the conclusions that we came to are reflected in what we say in the report, that there were calculations which might have been made, but which had not been made, and the information was provided to Parliament that that was the position. It is for Ministers to decide in the ultimate what information they want from their civil servants.

4626. Apparently, following Mrs Bowtell's answers to the Chairman, it is for Ministers to ask, not for the Department necessarily to supply them unless they are asked.

(Mr Myland) I do not think I would want to comment on that; that is a matter for the administration within the Department.

4627. I want to get this absolutely clear. You did not provide this information because you were not asked. That is the reason.

(Mrs Bowtell) You have made it much more specific than things really are. There is a two-way interchange in the process of policymaking. It is not "Ministers ask, civil servants provide" in that sort of black and white way. Clearly we provide everything that we thought at the time was relevant. With hindsight maybe we would have thought differently. At the time it seemed to us that what was relevant were the things we were supplying. It is not that we went through and thought "Shall we do this? No it is not relevant". We were supplying a great mass of information, among which, it so happened, was not this.

4628. You did not think it necessary or relevant, because you were not asked, to provide calculations of likely losses as a proportion of total income for the various categories of housebold. So you did not provide calculations of the fact that somebody on £50 a week could less well afford to lose £5 per week than somebody on £100 a week.

(Mrs Bowtell) It would have been known that we were talking about people on £50 a week because that is around the income support level upon which housing benefit is built. It would have been clear that that was the level we were talking about.

4629. Clear to whom?

(Mrs Bowtell) It would have been clear to Ministers and to civil servants because we know the income structure of the people we are talking about.

4630. Then let us look at the memorandum from the Association of District Councils. Let us look at a particular piece of information which was clearly relevant and which was apparently raised by the Association. It says in paragraph 3.1 (A) (i), "The Association had pointed out in its response to the 1985 Green Paper . . . and in subsequent meetings with Ministers that this would create hardship for a large number of claimants and had stated that the cut-off point should be at least £10,000". This was the capital limit of course. "On 27th April 1988 four weeks after implementation of the new scheme the government acknowledged that this particular change was causing hardship and announced that the £6,000 would be revised to £8,000". Did you do calculations and did you give them to Ministers of the figures of hardship at £6,000, £8,000 and £10,000 in advance of the new scheme coming in?

(Mrs Bowtell) I am sure that at the time when decisions were made about the capital limits, we would have given Ministers whatever analyses we could do of the effect of different levels of capital limits. I do not have papers with me at the moment. They would clearly have known what the effects of different capital limits were, as far as the information was available.

4631. I am sorry but I cannot regard that as a satisfactory answer. Were you the Deputy Secretary in post at that particular time?

(Mrs Bowtell) No, I do not think I was.<sup>1</sup>

4632. You do not think you were. So you do not know off hand whether or not Ministers were given the figures for the number of people who would lose all benefit if the cut-off points were (a) £6,000, (b) £8,000, which Ministers subsequently revised it to, or (c) the £10,000 for which the ADC and others had apparently asked Ministers at subsequent meetings?

(Mrs Bowtell) Are we talking about the point at which the decision was reached rather than April 1988?

4633. I am talking about the information which was given to Ministers. Did you make these calculations prior to the £6,000 scheme coming in which proved so unsatisfactory that within four weeks Ministers had to change it?

(Mrs Bowtell) I am sure that Ministers would have been given information about the effects of the £6,000 limit. I clearly do not have by me now precisely what they would have been told but we would clearly have given them all the information we could about what the effect of that was.

<sup>1</sup> Note by Witness:—Mrs Bowtell took up the post from June 1986.

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[Continued]

[Mr Latham Continues]

4634. Can I ask you—and I will put this in as reasonable a manner as I can... This memorandum from the Association of District Councils is not a document which appeared before the Committee this morning. I myself have had it for several days and I am sure that several other people have had it. I put it to you that you ought to have this information available to you here and now as to what information was made available by the Department to Ministers regarding the effect of £10,000 limit for which the Association had asked in meetings with Ministers and also in their comments on the Green Paper. That is directly relevant, if I may say so, to the NAO comments in paragraph 5.12.

(Mrs Bowtell) I am sorry, I do not have that information available.

4635. Then I must ask that a note be put in on this matter.

(Mrs Bowtell) We will be happy to do that.<sup>1</sup>

Mr Allen

4636. Do you think this scheme was introduced well last April?

(Mrs Bowtell) The scheme was introduced very much better than the previous one was.

4637. Not quite the question.

(Mrs Bowtell) I think we did think that it had been introduced quite well actually. We thought that most local authorities had really done it extremely well.

4638. How do you know if the Department has absolutely no check on the delivery of the service? How can you say that?

(Mrs Bowtell) We knew what position local authorities were in in the run-up to April 1988. We did several surveys to ask them what state they were in and we went out and talked to local authorities who said they were in difficulties. We knew a good deal about what was going on in the run-up to 1988 and did everything we could to help any local authorities who were in difficulties to solve their problems.

4639. So your definition of the scheme being introduced well is on an administrative level rather than service delivery/client level.

(Mrs Bowtell) The two go together. Nearly 90 per cent of local authorities had reassessed and paid benefits in April 1988.

4640. But the two do not go together in the Department. There is little if any check on service delivery to clients from the Department level.

(Mrs Bowtell) You are referring to the monitoring arrangements? The report lays out the monitoring that we are doing. We do monitor the 14-day limit and we are monitoring on a wider basis than we have ever done before. There are limits to the amount of monitoring it would be proper for us to undertake because local authorities are responsible for the administration of the scheme. A great deal of value for money monitoring is done by the auditors and the

Audit Commission. The precise line to be drawn is a difficult one. We have gone a lot further down the road than we have ever gone before and we have to see that we can make proper use of this information because local authorities are so differently structured and have such different ways of doing things that you could actually find you were simply not collecting things that you could properly compare. As you see from the ADC memorandum local authorities actually do not like being asked for huge quantities of information unless they can do something sensible with it.

4641. Are you aware of the huge cry of anguish that came from immense numbers of people who were in receipt of housing benefit and were having that housing benefit reduced as the result of the changes?

(Mrs Bowtell) Clearly Ministers knew the sorts of things that were being said. They had their postbag and knew what was going on in the House. This would be one of the reasons why the transitional arrangements were introduced.

4642. But had there been better monitoring of service delivery might there not have been a possibility of anticipating and pre-empting that immense amount of agony. I can only underline the comments of the Chairman in terms of the personal disruption and anxiety that these changes created. Would not service monitoring have actually helped you pre-empt that major problem?

(Mrs Bowtell) Collecting information in a monitoring way from local authorities would not actually have made any difference to that. The way that we have to collect it is that they will send in returns in the course of the year or at the end of the year; that would not really have bitten on the run-up to April 1988 and the immediate aftermath which is the period you are talking about.

4643. Are you aware of the numbers of people who got into arrears because of the changes, many of whom were totally unaware that they were getting into arrears; they were not informed that they were getting into arrears?

(Mrs Bowtell) Clearly this would be a local authority's responsibility.

4644. So you were not aware of that situation. You had no way of telling the difficulties people were getting into as the sponsoring department overseeing a £5.2 billion budget a year.

(Mrs Bowtell) We would know from the things local authorities told us and from the general intelligence that Ministers would have from members of the House and members of the public and so on.

4645. Do you know the current position on arrears created by the housing benefit changes?

(Mrs Bowtell) I am not aware that there is a current figure on the level of rent arrears at the moment.

4646. Do you think it would be helpful for the Department to have such a figure?

<sup>1</sup> See Appendix 4

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[Continued]

[Mr Allen Could]

(Mrs Bowtell) There will be a figure in due course which CIPFA puts together. We are not the only people who have housing benefit information. The Audit Commission and CIPFA also collect information on housing benefit. There will then be the question of the extent to which any rise in arrears was actually linked to the housing benefit performance.

4647. Do you feel that a more direct intervention at service delivery level would be helpful for the Department in issuing the guidance that may be appropriate to local authorities, in other words spreading best practices, for example by the use of home visits?

(Mrs Bowtell) We are doing what we can to spread best practice, in cooperation with the Audit Commission and with CIPFA. We have to proceed bit by bit on this. We are doing a great deal more than we did before and it is no good our collecting stuff at great expense to local authorities, for which no doubt they would expect us to pay, unless we know we can make good use of it. If we can make good use of it, then let us collect it and let us collect some more. It is very difficult to make comparisons between local authorities and to see really what is happening.

4648. Less making comparisons between local authorities than finding out what happens to individual clients and claimants who are at the sharp end, visiting them at home being the most obvious method of doing that, and thereby being able to spread best practices.

(Mrs Bowtell) If you are suggesting that the Department should start visiting local authority housing benefit clients, that would go well beyond what we could reasonably do in fulfilling our responsibilities. We would have terrible trouble with local authority associations. That would require a different kind of setup actually to go into that sort of thing.

4649. It may be something worth considering because the major problem appears to have been this dislocation between the national level decision to reduce the total budget on housing benefit, which undeniably has taken place and the consequences at a personal level of the people you are meant to be helping.

(Mrs Bowtell) In the end, if you want the degree of central control that you seem to be describing, you are really describing a scheme which is run from the centre. That simply is not what the housing benefit scheme is; it is a scheme that is run by local authorities.

4650. I do not think that is a scheme I am suggesting at all. You have responsibility from the centre for a vast budget, some of which is not being spent properly, some of which is being misallocated. You are missing one third of the people who should have benefited from transitional arrangements. Large numbers of people in dire need are being hit. I should have thought, rather than pretending that an attempt to resolve that is a centralising solution, that there might be some lessons that have been learnt from the last year.

(Mrs Bowtell) I am sure there will have been

lessons that have been learnt from the last year.

4651. Do you issue guidance to your local offices in respect of how they should deal with city finance departments or city treasurer's departments or local authority departments, for example where changes occur in benefit levels?

(Mrs Bowtell) I am not quite sure exactly what you are getting at. Clearly there are instructions.

4652. Let me give you an example. I have a large number of cases where individuals have perhaps changed their benefit levels from income support going on to pensions and that, when the local authority becomes aware of it, affects their rights to housing benefit.

(Mrs Bowtell) These must be people who are actually coming off income support for some reason or other so that their 100 per cent housing benefit was going on to a different level of housing benefit.

4653. Yes.

(Mrs Bowtell) There will certainly be instructions to our local offices telling them what to do in those circumstances and what they should do in connection with a local authority.

4654. Do they notify local authority departments as a matter of course?

(Mrs Bowtell) I shall have to take advice. Yes, they do. That is the guidance given to them.

4655. The cases I have come across are in breach of the guidance you issue.

(Mrs Bowtell) If you have come across cases where they have not notified local authorities then they are not doing what they have been told to do.

4656. And where they do notify often the time delay is such that immense amounts of arrears for people on £40 or £50 a week have accumulated.

(Mrs Bowtell) If this is happening in a particular instance you should take it up with our local office. If this is the case in a particular office then they have either got into difficulties or they are not giving priority to this sort of case. Certainly the guidance would say they should get on and do it.

4657. Let us go back to the reductions never being calculated as a percentage of income. I have been jotting down your answers as you have been speaking and I have three different answers so far. One was that the Ministers were aware of the situation, that is in terms of global numbers. Another one was that you were never asked for the figures. Could you just state for the record what the position actually was?

(Mrs Bowtell) I am sure that senior officials, all officials, and Ministers, would have been aware in general terms what the cash reductions meant for the claimants because they would all be aware what sort of levels of income we are talking about. We are not talking about great ranges of incomes and we know the sort of levels of income that we are talking about. In those sorts of terms there would certainly have been consciousness of what the significance of the figures was. We did not do a precise analysis setting out in detail, in the way we did do with the specified



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[Continued]

[Mr Allen Continues]

cash losers, an analysis in relation to proportions of income.

4658. You were aware I take it of a large and very vociferous campaign which was being mounted in the country by a wide range of institutions about the consequences were these proposals to be implemented?

(Mrs Bowtell) And the figures were there to show what the sizes of the losses were.

4659. But not specifically as a percentage of income.

(Mrs Bowtell) Not specifically as a percentage of income.

4660. The other department with the initials SS is the Secret Service who do operate on a need-to-know basis, but I was not aware that was the case with the Social Security.

(Mrs Bowtell) I am not aware that we were asked for the figures by anybody outside. I may be wrong and it is possible that there was a parliamentary question and it was too expensive or something but as far as I am aware we were not asked. We were not refusing to answer questions.

4661. In respect of backdating payments, the subsidy payable on any benefit paid as a result of a decision of a local authority to backdate the claim is 25 per cent according to the ADC. The subsidy on a normal claim, processed immediately, is 97 per cent. Do you think this actually acts as a disincentive to local authorities to pay and backdate claims? Do you feel it might be more appropriate to subsidise at the same level as on a normal claim?

(Mrs Bowtell) The idea behind the subsidy controls is that it actually makes the local authority think rather harder about these particular areas where they have a certain amount of discretion. It is an attempt, since we finance such a large proportion of the expenditure overall, to focus the local authorities fairly clearly on areas where actually they have quite a lot of discretion and ought to be considering quite hard when they apply it.

4662. I can understand that when the system is up and running and it has been running for a few years and you want to shake out some of the inefficiencies. I cannot comprehend it when there is what is nothing less than administrative chaos where people are being issued with lots of different forms, lots of different assessments, changes in benefit affecting changes in housing benefit. Obviously large amounts of backdating are going to be necessary within a given period. I would have thought the incentive might have been balanced in the other direction so that the individuals do not suffer in the way that many of them have. Do you not feel that even now it would make sense to bring the backdating subsidy into line with the subsidy which is normally given on claims?

(Mrs Bowtell) We will see what has actually happened when we get the subsidy claims in, which we will soon. We introduced these in an attempt to use the subsidy arrangements to improve the

efficiency and effectiveness of the local authorities rather than interfering in a detailed way with their administration. Clearly we shall have to review these. These are new things and we shall have to see how they work out.

4663. The pace at which you are reviewing the problems that have been created by the change is something that is a little bit exasperating because the people Members of Parliament see literally need to have that extra £5 by next Friday. They cannot wait for the review. They cannot wait for the figures to come in. Surely there is some onus upon the Department to pre-empt those problems, even by erring on the side of generosity?

(Mrs Bowtell) The controls that we have in at the moment are controls which have all been agreed by Ministers. If there is some overwhelming pressure to change them or if there are arguments in favour of changing them I am sure people will put them to Ministers.

Mr Allen: I have a large number of other questions. Perhaps I can put them in writing.

Sir Michael Shaw

4664. You say that these decisions are made by Ministers but surely the essence of ministerial responsibility must be based upon information supplied by the Department. That being the case, am I to understand that all the information, the sort of examples that occur in the NACAB's report, was coming through to the Department but that as nobody asked for it the information was never given. Is that correct?

(Mrs Bowtell) Ministers have very large postbags, which are read and replied to. Ministers would be very well aware of these sorts of things and we would certainly give them things that came into us. They would know perfectly well the existence of information of that kind.

4665. That is true, but this is a major change of policy. If that has been initiated, the principle has been established by the Ministers, but so far as the factual evidence and the procedures are concerned the implementation of that policy must be based on information provided by the Department must it not?

(Mrs Bowtell) And on information from other sources which comes in to Ministers, but I acknowledge the responsibility.

4666. When the scheme is being worked out, is it not incumbent on the Department to provide the information which can offer to the Minister a means of checking if all is working well?

(Mrs Bowtell) Clearly that is what we try to do in our monitoring.

4667. And we fully accept that the Minister gains information from his postbag as well and a considerable amount will have been gained from that but nonetheless independently from the postbag

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[Continued]

[Sir Michael Shaw Contd]

information should be coming through from the Department. Was a system set up in the Department to provide Ministers with that information?

(Mrs Bowtell) In respect of how the new scheme was operating?

4668. In respect of the sort of cases and problems that were occurring on a pretty large scale in the country as a whole.

(Mrs Bowtell) Clearly in so far as the information came in to us, and we meet the local authority associations very regularly, we would pass that on to Ministers.

4669. The new system created a big interface between your Department and the local authorities. Has that worked smoothly?

(Mrs Bowtell) The April 1988 changes in fact pulled the two apart slightly because the previous certification arrangements were changed. In fact it does seem to work much better with the two authorities working more separately. The sort of interlinking we were trying to achieve before was really too complicated. As far as I am aware, the relationships between local offices and local authorities and their interchange on the whole are working quite smoothly.

4670. Could I turn to the memorandum from NACAB and the section headed Housing Benefit Transitional Payments where they talk about out stations. They say "As a whole, our experiences support our growing view that out stations cause disproportionate administrative problems for clients, and that for means tested benefits which require repeated reassessments as circumstances change, locally based benefit offices where clients can make face to face contact, are more appropriate." The next paragraph goes on to say "... we are concerned from our experience of delays, that the housing benefit departments will be unable to provide the fast line service which is essential if people are to take up board and lodging accommodation". What are your comments on that?

(Mrs Bowtell) They seem to be contrasting one rule for us and one for local authorities. I assume their reference to out stations refers to the transitional payments unit which, considering the speed with which it had to be set up has actually done not a bad service. The delays have mostly occurred in local authorities while we have been waiting for forms to be sent back.

4671. This gets me back to the earlier point. I have discovered that from time to time there is a shuffle between the two departments and one has to analyse the situation fairly closely to find out where the responsibility lies.

(Mrs Bowtell) Certainly in relation to the transitional payments unit we were operating quite a close relationship between us because we had to get the information from the local authorities about people's position before and after April 1988 in order actually to assess the claims. Had local authorities been able to do the whole job, then one would not have had that exchange. We thought that the only

way of getting it done in the circumstances, given all that local authorities had to do, was to do it ourselves and that meant that some link was inevitable.

4672. Are you reviewing your position with regard to out stations?

(Mrs Bowtell) As far as I am aware their comments would apply only to this one. I do not know what else they may have had in mind. We do not have in mind to change how we administer the transitional payments because the major work in that is now done. It would be a question of just continuing to pay the people who will be on the books, so it will not be a large exercise any more. It would be most sensible to continue to run it as a small centralised unit.

4673. In the last paragraph of the NACAB memorandum they go on to talk about the community charge. This is yet to come upon us but frankly it is gaining in importance every day. What it says is "These experiences lead us to view with considerable concern the introduction of the Community Charge benefit, where the numbers of claimants involved will be significantly greater than for housing benefit". That is an understatement of the year. How are the experiences that have already been undergone in this past legislation being taken on board in looking at the future problems and assessing the future problems that are going to come upon us when we deal with community charge?

(Mrs Bowtell) We are working very closely with the local authority associations on the arrangements for the rebate scheme and in fact they have already got the draft regulations. We cannot finally make them until after the current Bill has Royal Assent. They have firm draft regulations already and have had them since May, which we have said we will not change. The arrangements for community charge are actually not anything like as complex as the exercise we have just done because the community charge rebate scheme would be modelled very closely on the rate rebate scheme. It is not going to be anything like as complicated a task for local authorities. It does not involve, as the last thing did, re-assessing every single case in a completely different way. They are operating on a scheme they know but have to apply it more widely. The task is not as complicated and we do not have the complication that we are trying to do it while we are reviewing all the local office benefits. It would be a more straightforward exercise but we shall certainly be watching it very carefully to make sure that we do learn all the lessons.

4674. So we can take it that everything possible is being done to see that no mistakes are repeated. May I take it that is right?

(Mrs Bowtell) Absolutely.

Mr Morris

4675. Can I tell you that as far as the mechanics of the new scheme are concerned they went down well in Northampton as to the transitional payment arrangements. Having said that, there are one or two points of clarification I should like. Is it the policy of the new Department of Social Security—and this is a

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[Mr Morris Covid]

very important point—to provide asked for information to Ministers or to anticipate all eventualities?

(Mrs Bowtell) It is clearly to anticipate what Ministers will want. One just has to decide—

4676. No, I did not ask that question. I will repeat the question. Is it the policy to provide information asked for by Ministers or for officials to anticipate all eventualities?

(Mrs Bowtell) We anticipate as many as seem sensible. Clearly you cannot deluge Ministers with information on every conceivable thing. Officials have to make a judgement about what they provide for Ministers. Clearly you also provide everything the Minister has asked for.

4677. You mentioned a couple of times that Ministers all knew what the range of income levels was that operated. What were they?

(Mrs Bowtell) You would be starting at a level currently for a single person of about £45 to £50 a week and for a married couple round about £70 a week. Those would be the sort of guidelines.

4678. And finishing at?

(Mrs Bowtell) You would be going a great deal higher than that on the old scheme.

4679. What is a great deal higher?

(Mrs Bowtell) I cannot quote you off hand the housing benefit limit for a particular kind of case because it depends on the rent they are paying and a number of other factors. The important thing will be the bottom limit. We all knew that the cuts were going to bite at low levels as well at high levels. You would have your focus on the people at the bottom.

4680. Can I get paragraph 5.11 absolutely clear. It says there that some transitional papers were prepared for other schemes, other reforms. Was it that there never was a paper prepared on the pros and cons of transitional allowances? Was that the situation? There never was a paper prepared.

(Mrs Bowtell) That is a question of advice to Ministers and I am not sure I can answer that question.

4681. Perhaps you can reflect on that and answer whether a paper was prepared. Can we move on to paragraph 2.8. There we see quite rightly the Department is planning to monitor closely the effectiveness of these changes and that is very laudable. The only thing I find a bit disturbing is that according to the C&AG you are not going to get any results before 1991. Why is that?

(Mrs Bowtell) The results of our own monitoring will be beginning to be available quite soon now and a great deal of it by the autumn. 1991 is the family expenditure survey which we need both to supplement that and to do things like takeup estimates because you need to know about people who are not

on housing benefit. Most of the returns with the information that we are getting from local authorities about the people who are on housing benefit are in now and we shall be analysing them over the summer. We will actually have that information much sooner. This is the family expenditure survey which does take long time to process. We are one of the departments which is trying to speed it up as much as we can because we need it for other purposes. It is used by quite a wide variety of people and the arrangements for processing it are quite detailed.

4682. Just to be clear. I understand the point about the family expenditure survey but are you saying there will be no public dissemination of the monitoring until the family expenditure survey.

(Mrs Bowtell) No, no. I would have thought we would make our information available once we have had it processed. I would expect us to be able to have stuff available by this autumn.

4683. Does that accord with what the C&AG understands to be the situation?

(Mr Myland) Yes.

4684. Paragraph 2.8 is not very clearly put, is it? If we go on to paragraph 2.11 we come to the point about final subsidy claims which has always been a bone of contention to this Committee. We do have new legislation going through the House. What is it that will determine whether the Department takes action under the new legislation? What is the trigger point?

(Mrs Bowtell) It will be the claim coming in at a certain time late. There are two powers: One is to allow us to estimate if we have not got sufficient information and the other is to allow us actually to withdraw subsidy if the claim does not come in. The legislation does not actually say how late you have to be or how much subsidy you lose. That is something we will need to take forward when the legislation is through with the local authority associations. We shall be starting to talk to them this autumn. I imagine we shall be determining at what point, how late you can be, before the chop comes down and how much subsidy you will then lose.

#### Chairman

4685. Have you been saying that Ministers knew what the reduction of benefits was to the less well off, that Ministers thought it was acceptable and subsequently changed their mind?

(Mrs Bowtell) I am sure that Ministers would have taken the decisions they took in the light of all the information which they had then, which would have been the same as the information they had later in terms of analyses and so on. What they would not have, would have been all the pressures which actually arrived later on.

Chairman: Thank you for coming along and giving your evidence today.

## APPENDIX 1

## Memorandum submitted by the Association of District Councils (PAC 106)

## 1. INTRODUCTION

1.1. The Association welcomes this opportunity to submit evidence to the Public Accounts Committee concerning the implementation and administration of the Housing Benefits scheme.

1.2. However, the Committee will be aware that the National Audit Office has circulated a questionnaire concerning the administration of Housing Benefits and the implementation of the new scheme to all authorities but the responses are unlikely to be made public before the 10th June. In these circumstances, the Association would wish to reserve the right to amend or add to the evidence submitted in this document in the light of the responses to that questionnaire.

1.3. The Association would also wish to emphasise that whilst the points made in this document are of their very nature critical it would not wish to overlook the size of the task facing the DSS and the tremendous amount of hard work put in by its officials in an attempt to achieve the extremely tight timetables made necessary by political decisions. Nonetheless, important lessons can and should be learnt from the experiences of the last few years, and it is hoped that both officials and politicians will be more ready in future to listen to advice given by the Association—advice which is based upon many years of experience in dealing with the public at close quarters and in implementing complex legislation.

1.4. The evidence submitted deals with three main subject areas:

- 1) The inadequate time allowed for implementation of the new Housing Benefit scheme.
- 2) The failure of the DSS to heed advice from the Association—advice which has since been proven to be well founded.
- 3) The excess of bureaucracy which is being used to control the payment of relatively small elements of the Housing Benefit Subsidy.

1.5. The Association is concerned that lessons are learnt from the evidence contained not only in this document, but no doubt from evidence submitted by other bodies in order that the interests of the public we serve are best protected.

## 2. IMPLEMENTATION TIMETABLE FOR THE NEW HOUSING BENEFITS SCHEME 1988

2.1. It is assumed that members of the Public Accounts Committee are aware in general terms of the problems that arose in 1982/3 when responsibility for the payment of Housing Benefits to Income Support cases was first transferred to local authorities. On that occasion a tight timetable and inadequate preparation led to a situation where 5 sets of amending regulations were issued during the 18 months following implementation. A tight timetable can also lead to bad legislation and indeed, badly written legislation led amongst other things, to a situation where it was right and proper for local authorities to pay Housing Benefit to occupants of Part III accommodation (ie Homes for the Elderly run by Social Service authorities) even though this was never intended. The situation was exacerbated by the fact that further doubts arose as to what could be classified as eligible rent in that situation with the end result that in 1989 three years after submission, subsidy claims are still not settled. It is likely that these will only be settled following court action.

2.2. Against the background it was hoped that the government would make every effort to avoid a repeat of that situation when introducing further legislation by ensuring that more than adequate time was available for preparing the appropriate legislation and indeed for its implementation. After all, the changes to the Housing Benefit scheme were only part of a much wider and fundamental review of the whole of the Social Security system. In recognition of this fact, and perhaps appreciative of the pressures upon local authorities, the government did defer the implementation date for 12 months from that originally intended. When the April 1988 date was fixed it was agreed that the government would ensure that local authorities would have in their possession the necessary regulations, codes of guidance, and a list of requirements for management and statistical information by 1st April 1987.

2.3. The Association had estimated that if this deadline was met 12 months would be sufficient for local authorities to obtain or prepare the necessary computer software, purchase hardware, and to make all the other necessary administrative arrangements that are appropriate when implementing changes of this magnitude. One should bear in mind also the necessity to ensure that accommodation is available, staff are appointed and properly trained and that appropriate documentation and publicity is all ready.

2.4. It is now history that none of the agreed information was available on time. The dates shown below indicate how far the Department of Social Security failed to meet the deadline, whilst at the same time, ensuring that local authorities had to complete their part of the bargain within a reduced timescale. The dates on which information was available are:

- (a) The Housing Benefit Regulations were made on 20th November 1987 although it is fair to point out that a second draft set of the proposed Regulations were available on 15th May 1987.
- (b) The Code of Guidance was issued in December 1987 with the exception of the section on Fraud which was issued in March 1988.

The requirements for Management and Statistical information were set out in Circular HB(87)8 dated 16th November 1987.

2.5 These delays led to a situation where for many authorities computer software programmes were incomplete and in the vast majority of authorities the scheme was not fully operational with effect from the 1st April 1988 although it is fair to say that the majority did achieve the important aspects of making sure benefit was available to claimants. Nonetheless, in a number of authorities even this was not fully achieved and it must be emphasised that the knock-on effect of administrative difficulties is to create hardship for the people the Housing Benefit scheme was intended to help.

2.6 The responses to the National Audit Office questionnaire will identify more precisely the extent of the difficulties involved.

2.7 It is fair to point out that at a very late stage (2nd March 1988) the DSS did accept that a number of authorities were having difficulties and put forward contingency arrangements. However, these arrangements were very cumbersome amounting to a hybrid of the old and the new scheme and was only of help in the most desperate of situations.

*Lesson 1 The government administration must allow time for the proper preparation of legislation and local authorities must be given adequate time to prepare for the implementation of major legislation.*

2.8 Notwithstanding the above difficulties there are even more recent examples where the lesson has not been learnt in that on 16th March 1989 Circular HB89(6) was issued announcing the arrangements for involving the Rent Officer in fixing rents for Housing Benefit purposes in respect of claimants who rent on an assured tenancy or shorthold tenancy basis in the private sector. In this particular case and following a meeting between the DSS, the local authority associations and major computer software companies it was acknowledged that insufficient time had been allowed to enable the necessary amendments to the computer software to be made. However, this in itself creates some difficulties for local authorities in that the Rent Officer arrangements have had to be implemented with effect from 1st April 1989. The lack of suitably amended computer software means that authorities are having to keep manual records of the cases referred to the Rent Officer, the level of rent set, and details of the cases where housing benefit is being paid on rent in excess of that fixed by the Rent Officer.

2.9 Finally, in April 1989, the government initiated talks about changes in the arrangements for dealing with benefit on bed and breakfast accommodation charges with an implementation date of the 1st April 1989.

### 3. FAILURE TO TAKE ADVICE

3.1 There are a number of subject areas in which advice was clearly given to the DSS and the government concerning difficulties that would arise from the implementation of the new scheme which, if heeded, would have avoided a number of difficulties that have occurred since the 1st April 1988. The prime areas concerned are:—

#### A) The Capital Limits

- (i) One of the major changes to the Housing Benefit scheme ensured that nobody with capital assets of £5,000 or more would be entitled to housing benefit. Under the scheme operating prior to April 1985 it was necessary only to ensure amongst other things that all income from the investment of capital was brought into account and people with capital well in excess of that figure could still qualify for housing benefit. The Associations had pointed out in its response to the 1985 Green Paper on the Reform of Social Security and in subsequent meetings with Ministers that this would create hardship for a large number of claimants and had stated that the cut-off point should be at least £10,000. On 27th April 1988 4 weeks after implementation of the new scheme the government acknowledged that this particular change was causing hardship and announced that the £5,000 would be revised to £8,000.
- (ii) As a result of this, it was necessary for local authorities to identify those people who had claimed benefit but who failed to qualify because they had capital assets in excess of £5,000 and to ensure that those who had previously chosen not to apply, because they had assets of over £5,000, now made application. This whole episode not only created worry and hardship for claimants, but unnecessary additional administration for local authorities.

#### B) Protection for Losers

- (i) On our response to the 1985 Green Paper and in subsequent meetings with the Department the Association suggested that the government should consider some sort of protection for those people who stood to lose most as a result of the changes in the Housing Benefit scheme. The practice

of providing some sort of safety net is not new and it was clear that the various changes in the scheme would lead to a large number of losers thus creating hardship. Once again on 27th April 1988 4 weeks after the new scheme had been implemented the government announced that it intended to provide protection for those claimants that stood to lose more than £2.50 per week as a result of the changes in the scheme. The administrative arrangements involved applicants making claims to a transitional protection unit in Glasgow. The arrangements also involved the local authorities in additional administration and because of the cumbersome arrangements involved many claimants experienced long delays before sums due under the transitional protection arrangements were paid.

C) *Ability of Computer Software houses to deliver on time*

- (i) In the summer and autumn of 1987 the Association warned the DSS of the likelihood that computer software would not be delivered on time. This advice was based upon many years of experience in using computer software houses to supply systems such as that for housing benefits. Indeed problems had occurred in 1982/3 when the responsibility for housing benefit in respect of Income Support cases was passed to local authorities.
- (ii) The advice of the Association was ignored as the software houses were alleged to have assured the DSS that software design was well advanced and delivery dates would be met.
- (iii) The fact is delays did occur.
- (iv) The full extent of these delays will be identified by the National Audit Office questionnaire. However, had the earlier advice from the Association been heeded, it would have been possible to implement contingency arrangements at a far earlier stage than was the case with a consequent reduction in the administrative difficulties created and more importantly in the impact felt by individual claimants.

*Lesson 2 Whilst it is acknowledged that there are differing views on policies as between government and the association the advice given on administrative matters of the nature of those referred to above is based upon many years of practical experience and is well intentioned with a view to minimising the non-intended impact of government legislation.*

4. EXCESSIVE ADMINISTRATION ON INDIVIDUAL CLAIMANTS TO CONTROL RELATIVELY SMALL ELEMENTS OF THE HOUSING BENEFIT SUBSIDY.

4.1 There are a number of aspects of the Housing Benefit scheme where local authorities have a very limited ability to influence the amount of expenditure. The government does not believe that all local authorities exercise those duties responsibly and has therefore introduced incentives (penalties) into the subsidy arrangements. These incentives act by placing financial pressures upon local authorities to encourage them to act in a certain way. Whilst most local authorities will attempt to ensure that an applicant receives any benefit to which he or she is entitled there are a very few who are not conscientious in the way in which they exercise their responsibilities under the scheme. A general consequence of these subsidy incentives is that local authorities are required to keep detailed records over and above those that might otherwise have been required in order to ensure that subsidy claims can be properly accounted for and checked by the local authority auditors and the Department of Social Security. Furthermore, they also act in some cases so as to transfer unfairly responsibility for some expenditure from Central to Local Government and this has to be paid for by Community Charge/Ratepayers.

4.2 The items of expenditure involved, are as follows: —

4.2.1. *Backdating*

The subsidy payable on any benefit paid as a result of a decision of a local authority to backdate a claim is 25 per cent of the expenditure involved as compared with the standard rate of 97 per cent. It would not seem unreasonable that if a claimant can show that he/she was entitled to benefit from some earlier date than the date his/her claim other than due to his negligence that benefit should be payable. If benefit is properly payable then it should be subsidised at the full rate. There is a further inequity in that under Regulation 72(15) a local authority is required to backdate if good cause for not submitting an earlier claim is proven. It would seem even more inequitable that the local authority is not properly subsidised for any expenditure incurred under this Regulation. In order to ensure that subsidy claim is properly accounted for it is necessary to keep a separate record of all cases where backdating has occurred, the circumstances, and the amount of benefit involved.

4.2.2. *Disproportionate increases in rents*

- (i) The government is concerned that some local authorities may impose rent increases upon its council tenants in such a manner as to maximise the housing benefit payable, i.e. to impose larger increases upon those tenants whose rent is subsidised by housing benefit as compared with those tenants who are not. In order to show that it has not acted in this manner a local authority is required to keep a record of all tenants in receipt of housing benefit at a given date of March each year, and the rents that are payable at those dates. It must also maintain a record of those tenants not in receipt of housing benefit and the rents being paid.

- (ii) By making a comparison of the rents payable by tenants in each category on a year to year basis it is possible to show whether an authority has increased rents for tenants in receipt of housing benefit by more than those who are not.
- (iii) Whilst not condoning the action of any authority that might wish to take advantage of a situation where it could effectively get rent increases financed through the Housing Benefit Subsidy system the Association would point out that it would be a relatively simple matter for the Council's auditor to establish whether in fact a local authority had attempted to act in this manner.
- (iv) In any event, the basis on which this check is applied is flawed. It is possible for a local authority to be caught accidentally by this part of the Regulations if it is implementing variable rent increases in order to ensure that there is a proper differential between rents of different types of property as indeed is expected by the Secretary of State for the Environment. An earlier formula was abandoned when it was found that authorities could be penalised unfairly.

#### 4.2.3. *Restrictions on private sector rents for subsidy purposes*

- (i) The government was concerned that local authorities were doing insufficient to ensure that the rents charged in the private sector were not being kept excessively high merely because the tenant was in receipt of housing benefit obviously to the benefit of landlords. In fact, under the scheme operating pre April 1988 most local authorities went further than the Codes of Guidance indicated in an attempt to achieve this very objective. Under the old Regulations local authorities were not expected to refer cases to the Rent Office if this was likely to lead to a deterioration in relationships between landlord and tenant. In practice most authorities used their powers to refer rents to the Rent Officer in circumstances where a rent appeared to be above the "norm".
- (ii) With effect from April 1989 all applications for housing benefit from claimants who are tenants on an assured or short-hold tenancy basis in the private rented sector must be referred to the Rent Officer in order that he can ensure that the rent upon which benefit is being paid is reasonable. If the Rent Officer considers that the rent being paid is high then he will notify the local authority of a proper market rent. The local authority is then faced with two options. It could either continue to pay benefit on the full rent and accept that no subsidy will be payable in respect of any benefit paid on rent in excess of that indicated by the Rent Office, or, it can pay benefit only on the rent fixed by the Rent Officer. The implications of the latter approach are that the tenant is expected to meet the difference from his, by definition, scarce resources, or, alternatively fall into arrears with the rent and run the risk of being made homeless. If he/she is made homeless, then of course the local authority is once again in the position of having to meet their obligations under the Homelessness legislation. The local authority can lose financially whichever course of action they adopt.
- (iii) The position is made even worse in situations where the Rent Officer considers that the applicant and if appropriate his family are living in accommodation that is larger than their requirement. The size criteria upon which such a decision is based is extremely tight—for example it would penalise families who had separate rooms for 2 children of the same sex aged under 18—and it is likely that a large number of tenants could be affected. In circumstances where the Rent Office considers that a tenant is living in over large accommodation he is required to assess the rent that should be paid in respect of accommodation of the appropriate size. Once again, however, the local authority is faced with the decision as to whether to restrict benefit and risk the tenant becoming homeless, or, to pay benefit on the full rent being paid accepting that the cost of benefit on the excess rent will be met by the local authority. The situation is aggravated by the fact that under Regulation 11 of the Housing Benefit Regulations the local authority is required to recognise the circumstances of the tenants involved and in some circumstances, cannot by virtue of the regulation restrict the benefit payable.
- (iv) If a local authority pays benefit on the rent in excess of that fixed by the Rent Office in circumstances where it is alleged that over large accommodation exists then the subsidy payable on the excess rent is at 50 per cent instead of the standard rate of 97 per cent. There cannot be any justification whatsoever for a local authority having to meet the cost of meeting benefit which it is required to meet by virtue of government legislation. Furthermore, in order to be able to account properly for the subsidy claim the local authority is obliged to keep records of all circumstances in which benefit is being paid on rent in excess of that fixed by the Rent Officer.
- (v) One could question whether it represents good use of public resources to maintain the Rent Officer system at a cost in excess of £20m per year in order to act not as a check on rents in the private sector but as a means of making a marginal reduction in the amount of subsidy paid towards housing benefit.

*Lesson 3 Overall, it appears that some of the administrative arrangements that are necessary in order to make marginal reductions in the amount of subsidy payable in respect of certain aspects of the housing benefit scheme far outweigh the likely savings involved and the association would suggest that this aspects of the administration should be investigated further.*

## 5. CONCLUSION

5.1 The Public Accounts Committee are asked to give serious consideration to the principal issues raised in this submission and to report accordingly. Errors of judgment have occurred in the past and have been repeated. Mistakes will be made but they are only of benefit if we learn from them.

8 June 1989

## APPENDIX 2

## Supplementary Memorandum submitted by the Association of District Councils (PAC 112)

In our main evidence dated 8 June we reserved the right to make comments once the National Audit Office report was published. We have now received the report and wish to make the following observations.

(Note: Paragraph references are those in the National Audit Office report.).

1. The Association is pleased that the evidence produced by the National Audit Office's questionnaire supports generally the points made in its original submission. However, the National Audit Office does not appear to appreciate that many of the problems could have been avoided if the Department of Social Security had been prepared to heed advice given by the Association. This is covered in detail in our original submission.

2. Reference is made throughout the report to the efforts made by the Department of Social Security to encourage authorities to take action against fraud and abuse. Reference is also made to the need to restrict expenditure and administration. Local authorities have long since recognised that additional expenditure on administration directed at prevention of fraud and abuse can be self-financing in overall terms. In fact the National Audit Office recognises this in paragraph 3.17. However, any increase in administration costs must be supported albeit at 60 per cent (50 per cent from April 1990) of the cost involved, as it is central Government, not local authorities, which reaps the benefit of savings.

3. Paragraph 2.11—it is possible that a number of final subsidy claims were late in being submitted due to the difficulties that had arisen over the housing benefit paid to claimants living in Part III accommodation (see paragraph 2.1 on page 2 of the Association's previous submission).

4. Paragraph 4.1—this paragraph is misleading in that local authorities have never had all administrative expenditure reimbursed. At the best they have had 60 per cent specific grant with some support to the balance of costs through the rate support grant system. However, this latter support is somewhat suspect as most authorities have been on a negative rate of grant which has meant that local authorities have actually received less grant than would have been the position if the administration costs had not been incurred.

5. Paragraph 5.5—the Department were fully warned in the summer of 1987 that problems were likely to occur on the delivery of computer software.

6. Paragraph 5.6—this paragraph does not emphasise sufficiently the extent to which local authority administration costs increased partly because of the problems caused by the late issue of Regulations, etc.

20 June 1989

## APPENDIX 3

## Memorandum submitted by the National Association of Citizens Advice Bureaux (PAC 110)

NACAB's evidence of the widespread problems with housing benefit experienced by clients underlines the report's concern at the absence of any monitoring of quality of service where the public make direct contact with Authorities.

## DELAYS

CABx report widespread evidence of excessive delays in processing applications, which results in considerable stress and hardship to clients.

## Exmouth CAB:

"It results in people using their Income Support or Unemployment Benefit giro to pay the rent, leaving nothing for food. It results in people getting into debt, a situation from which it is difficult to escape if you are on a low income. It has resulted to our knowledge in one near case of suicide of a young person driven to despair. It results in harassment of tenants by landlords. It results in lost tenancies and homelessness."



**Richmond CAB:**

"69 year old waited more than 10 weeks for housing benefit payments. Evicted by landlord due to rent arrears."

**OVERPAYMENTS**

One consequence of these delays in processing claims is that it can and often does result in overpayments being made. This occurs where clients may not be aware that they have been overpaid until a 'statement' is received from the department. Frequently this 'statement' gives no detail of the reasons for the overpayment so it is not possible for the client or the CAB advisor to check whether the statement is correct. Departments also may make quite unreasonable arrangements for reclaiming the overpayment. CABs report cases where the whole sum was demanded, or the whole benefit was stopped until the overpayment was recovered.

**COMMUNICATIONS**

CABs report considerable problems in communicating with Housing Benefit Departments, for example, to establish the explanation of an overpayment or to negotiate a realistic repayment level.

**Ermouth CAB:**

"We have had sensible, middle-aged clients reduced to tears after dealing with the HB department; letters go unanswered; people on benefit have to make several calls from public phones boxes and still can't get the information they need; CAB workers and others in similar positions (the Director of the YWCA hostel, the Manager of Age Concern) are dealt with rudely; unsubstantiated verbal accusations of fraud are made to claimants over the telephone.

We think that such behaviour is unacceptable. We are in a position to contrast the attitudes of the HB department with the local Department of Social Security office, whose staff are invariably polite, friendly and helpful. We are in daily contact with both departments, the law relating to Income Support and Housing Benefit is very similar, the claimants are the same people—so why the huge difference in attitude to the public?"

**HOUSING BENEFIT TRANSITIONAL PAYMENTS**

The delays and communications problems already noted above were all considerably worse in relation to the Transitional Payment Scheme. Although this scheme was introduced specifically to cushion clients from sharp losses of benefit resulting from April 1988 changes, clients in fact found themselves waiting months rather than weeks for any payment. We have also had many reports of miscalculations, causing further delays.

**Barnes/Shorn CAB:**

"Client has waited 7 months for her TA to be calculated. She had a large entitlement to HB so was severely affected by changes. Eventually MP's help was sought and case dealt with swiftly. However, calculation totally wrong as the local authority had sent figures from August 1987 instead of after upratings in the autumn, so entitlement is much too low. At time of writing, matter still not settled."

**Sale CAB:**

"The client was granted £23.41 per week, transitional payment for housing benefit, backdated to April 1988. Notification of the grant was received on 8.8.88—and the declaration signed and returned to the Glasgow Office on 11.8.89.

In spite of numerous telephone calls by the client, prior to contacting the bureau, no payment has been received. The total now due is over £700.

Since 16.11.88 the bureau have contacted the Glasgow Office both by telephone and in writing and been informed that client's details have not been entered on the computer. The office assured the Bureau that a manual search for the files would have to be made, which would take several days—and that even then, no payment could be made before Christmas, as when the papers were located and processed at Glasgow, they then have to go via Newcastle, and Lytham St. Anne's before the cheque can be finally issued. The delay is causing considerable hardship to the client."

Problems appear to have arisen at every stage of the process: long delays before notification of entitlement, then further long delays before payment is made, confusion as to whether payment will be made to the client or direct to the local authority, a first payment being made but then no further ones. Some local authorities also appeared to be confused—one reported to a CAB that they had received a large cheque from Glasgow but had no idea which clients it was for. Communication with Glasgow caused endless problems for clients and CABs, with unanswered letters and telephone calls and problems in identifying the progress of a particular case even when contact was made.

As a whole, our experiences support our growing view that our stations caused disproportionate administrative problems for clients, and that for means tested benefits which require repeated reassessments

as circumstances change, locally based benefit offices where clients can make face to face contact are more appropriate. The justification for an out station in this case would seem particularly questionable as the NAO report points out that every case required correspondence with the local authority to check entitlement.

Since April '89 Local Authorities have taken over responsibility for paying housing benefit to claimant in board and lodgings and we are concerned from our experience of delays, that the housing benefit departments will be unable to provide the fast line service which is essential if people are to take up board and lodging accommodation.

Weston Super Mare CAB:

"Local Authorities facing major problems since the introduction of the new Housing Act, combined with new board and lodging regulations. They have not paid any existing claims for April (at 5.5.89). New claims are not being looked at at all. There is a 7 week backlog"

These experiences lead us to view with considerable concern the introduction of the Community Charge benefit, where the numbers of claimants involved will be significantly greater than for housing benefit. We therefore, endorse the National Audit Office's view that it is of the utmost importance that a system for monitoring "the quality of service when the public make direct contact with authorities and of defined standards of acceptable performance for all aspects of service" is in place before the Community Charge benefit scheme commences. This would make it easier for action to be taken when benefit administration fails to meet standards.

19 June 1989

#### APPENDIX 4

Supplementary evidence submitted by the Acting Permanent Secretary,  
Department of Social Security (PAC 127)

Q4602. In my answer, I indicated that no outside commentator had asked for the figures on the effects of the reforms to be analysed so as to show losses as a proportion of net income. So far as I can establish, this was indeed the case in relation to the figures published by the Government in the technical annex to the 1985 White Paper, based on illustrative benefit rates, and to those published in October 1987 based on the actual rates adopted for April 1988.

The Committee should be aware, however, that before the publication of the technical annex, the Social Services Committee had published independent analyses of the possible impact of the changes, based on hypothetical benefit rates chosen by them. (Seventh Report of the Social Services Committee, 1984/85, HC 451). With the agreement of Ministers, the actual calculations for the Social Services Committee were performed by the Department though to specifications given by the Committee. The published analyses presented the figures in a variety of ways, including showing losses and gains as a proportion of net income. Ministers would, of course, have seen these figures prior to publication of the White Paper.

Qs 4630-5. *Housing Benefit capital rules.*

1. The Committee asked for a note on the information which was available to Ministers about the effect of the introduction of a £6,000 capital cut off in Housing Benefit from April 1988 and about alternatives for the capital limit.

2. The Technical Annex to the 1985 White Paper explained that "The data on which to base estimates of capital holdings by individuals and families is not as accurate as that on sources of income... As a result, to obtain estimates of capital holdings it is necessary to assume an arbitrary average rate of return on investments and divide this figure into the recorded income from investment. Estimates of capital derived in this way are highly uncertain and do not allow as precise an analysis of effects as those included in the main tables."

3. Because of these difficulties the effects of the proposed capital rule for the income-related benefits could not be included in the tables showing the composite effects of the reforms. Instead, a single table, showing the effects of the capital rule alone, by client group, was included. This showed 670,000 gainers, 6,910,000 families with no change and 480,000 losers. Gains and losses were shown in bands of less than £2, £2 to £4 and over £4 a week. In the revised figures published in October 1987 the capital estimates were incorporated in the general tables, but the notes recorded that "the results are... subject to a wide margin of uncertainty."

4. During the development of the April 1988 reforms, Ministers considered a range of options for the treatment of capital in the income-related benefits and were provided with information about their consequences. It was clear that with virtually any capital limit including £10,000 some Housing Benefit claimants would lose all entitlement to help with rent and rates. Having accepted the recommendation of the independent Housing Benefit Review that Housing Benefit like Income Support should have a cut-off for capital holdings, the choice of cut-off point was essentially a matter for political decision. The £6,000 capital rule which was set out in the White Paper involved gainers as well as losers.

7 July 1989